

SHB 2239 - H AMD 518

By Representative Magendanz

FAILED 6/26/2015

1 Strike everything after the enacting clause and insert the
2 following:

3 "NEW SECTION. **Sec. 1.** INTENT. (1) In its January 2012 ruling in
4 *McCleary v. State*, the state supreme court declared that Engrossed
5 Substitute House Bill No. 2261 (chapter 548, Laws of 2009), "if fully
6 funded," constituted a "promising reform" that would remedy
7 deficiencies in the state's compliance with its paramount duty to
8 make ample provision for the education of its children. In Engrossed
9 Substitute House Bill No. 2261, the legislature revised its previous
10 formulas to establish the prototypical school model, and it directed
11 the quality education council and its technical working groups to
12 recommend the details of necessary formula enhancements to the
13 prototypical school model. The following year, the legislature
14 enacted Substitute House Bill No. 2776 (chapter 236, Laws of 2010),
15 which provided in statute quantification of the formula enhancements
16 and established statutory deadlines for funding and implementation of
17 these deadlines. Specifically, Substitute House Bill No. 2776 called
18 for (a) full funding of the expected cost transportation formula by
19 the 2013-2015 biennium, which the legislature implemented in the
20 budget for the 2013-2015 biennium, fully funding the model in the
21 2014-15 school year; (b) full funding of the enhanced formula for
22 materials, supplies, and operating costs by the 2015-16 school year,
23 which both houses of the legislature have funded in the respective
24 2015-2017 proposed budgets that have passed each chamber; (c) full
25 funding for all-day kindergarten by the 2017-18 school year, which
26 both houses of the legislature have funded in the respective
27 2015-2017 budgets that have passed each chamber, one year ahead of
28 the statutory deadline; and (d) full funding for K-3 class size
29 reduction by the 2017-18 school year, which both houses of the
30 legislature have funded in a phase-in schedule in the respective
31 2015-2017 proposed budgets that have passed each chamber, with full
32 implementation planned for the 2017-18 school year.

1 (2) In its September 2014 order in *McCleary*, the court indicated
2 that it expects the legislature to provide the court with a plan
3 against which to measure the state's progress toward full
4 implementation. As described in subsection (1) of this section, in
5 Substitute House Bill No. 2776 the legislature enacted a
6 comprehensive plan for funding the enhancements to the prototypical
7 school formula, and the legislature has not failed to meet a
8 statutorily prescribed deadline. These enhancements to the funding
9 formula address transportation and materials, supplies, and operating
10 costs, two of the areas identified by the court in which state
11 funding allocations were insufficient to support the state's program
12 of basic education, thereby causing school districts to rely on local
13 levies for implementation of the state's basic education program.

14 (3) The 2012 *McCleary* ruling also identified a constitutional
15 flaw in the funding formula that predated Engrossed Substitute House
16 Bill No. 2261 and Substitute House Bill No. 2776: State allocations
17 for state-funded staff salaries were insufficient to provide
18 districts with adequate funding to hire and retain teachers for the
19 state's program of basic education. To correct the identified
20 inadequacies of the state salary allocation formulas, the legislature
21 intends to review and quantify the need for additional state
22 allocations so that the state may implement its new salary funding
23 formula in the 2018-19 school year. As a starting point for this
24 task, the legislature finds that the review process should begin with
25 the assumption that the minimum salary cost for the state's program
26 of basic education is the sum of total statewide salary allocations
27 for state-funded employees in the 2014-15 school year plus eighty-
28 five percent of the difference between that amount and total
29 statewide school district actual salary expenditures for state-funded
30 employees in the 2014-15 school year.

31 (4) The legislature further finds that increased state salary
32 allocations, while a necessary part of the solution, are not a
33 complete solution. The legislature intends to correct the inadequate
34 state salary allocations identified by the court, but it cannot do so
35 without simultaneously addressing the use of and accountability for
36 local levies for enrichments to the state-funded program of basic
37 education, as well as state-funded levy equalization to mitigate the
38 effect of above-average property tax rates for local levies.
39 Revisions to local levy laws must consider sensitivity to tax rates
40 for districts that have relatively low property values. The

1 intricacies of these entwined topics mean that a piecemeal or interim
2 solution is not feasible. Further, due to the complexity of any plan
3 that requires changes to property taxes, a solution requires
4 sufficient lead time to align local levy and state property tax
5 revisions with school year allocations in the state budget.

6 (5) To fund the constitutionally required revisions to state
7 salary allocations for state-funded employees, and to prevent local
8 levies from being used for the state's program of basic education,
9 the legislature must revise the state property tax while decreasing
10 the amount that school districts may collect in local levies. The
11 changes to total property tax collections must be revenue-neutral on
12 a statewide basis.

13 (6) For these reasons, the legislature intends to enact a
14 schedule for researching and enacting policies for fully funding all
15 elements of Engrossed Substitute House Bill No. 2261 on September 1,
16 2018. As set forth in this act, the legislature intends to review and
17 enact legislation on:

18 (a)(i) State salary allocations. The state must quantify the
19 portion of salaries for state-funded employees that is part of the
20 state's program of basic education. To ensure that each district
21 receives sufficient state allocations to hire and retain state-funded
22 staff without obligating the state to fund all districts at the
23 highest district cost level, new state funding formulas must contain
24 a localization mechanism. Further, new state funding formulas must
25 eliminate the practice of "grandfathering" salary allocations based
26 on outdated historical funding practices, and they must contain
27 mechanisms for inflationary adjustment; and

28 (ii) State allocations and purchasing methods for health
29 insurance benefits.

30 (b) Enrichment and TRI. The state must enact definitions of
31 "enrichment" and authorized TRI that provide school districts with
32 sufficient flexibility to implement local education priorities beyond
33 the state's program of basic education while protecting the state's
34 ability to demonstrate that its allocations fund the state's program
35 of basic education.

36 (c) State property taxes and local levies. The state must enact
37 new laws governing local levy collections, including local levy
38 bases, rates, or lids, with reductions to local levies offset by
39 changes to the state property tax that are revenue-neutral on a
40 statewide basis. The new local levy system must eliminate the

1 practice of "grandfathering" levy formulas based on outdated
2 historical funding formulas.

3 (d) State levy equalization. The state must make corresponding
4 changes to its system of levy equalization to mitigate the effect
5 that above-average property tax rates for local levies have on
6 districts' ability to fund enrichments beyond the state's program of
7 basic education.

8 (e) Transparency and accountability. The state must establish
9 accountability procedures to provide greater clarity and transparency
10 for expenditures of state, federal, and local revenues, including
11 expenditures for the state program of basic education and for local
12 enrichment beyond this program.

13 **PART I**
14 **WASHINGTON EDUCATION FUNDING COUNCIL**

15 NEW SECTION. **Sec. 101.** DEFINITIONS. The definitions in this
16 section apply throughout this chapter unless the context clearly
17 requires otherwise. These definitions apply only for purposes of
18 establishing the duties of the council and the legislature under this
19 chapter. As provided elsewhere in this chapter, the legislature
20 recognizes that some of the terms defined in this section are
21 expressly intended to be redefined by the legislature in future
22 legislation.

23 (1) "Council" means the Washington education funding council
24 created in section 102 of this act.

25 (2) "Enrichment" means additional services, instruction,
26 supplies, or similar expenditures that supplement and are not within
27 the state's program of basic education, and that may be funded by
28 local levies consistent with *Seattle School District v. State* (1978)
29 and *McCleary v. State* (2012).

30 (3) "Levy equalization" means a state-funded program of aid that
31 assists school districts in funding enrichment that supplements the
32 state's program of basic education, and that is intended to mitigate
33 the effect that variations in local property values might have on the
34 ability to fund these supplements locally. The program of local
35 effort assistance established in chapter 28A.500 RCW is an example of
36 "levy equalization."

37 (4) "Local levies" means maintenance and operation levies
38 collected by school districts under RCW 84.52.053 and 84.52.0531.

1 (5) "Localization" means a methodology for adjusting state salary
2 allocations to reflect local or regional differences in the cost of
3 salaries necessary to allow school districts to hire and retain
4 state-funded employees for the state's program of basic education.

5 (6) "State-funded employees" means school district employees for
6 which the state allocates funding pursuant to the prototypical school
7 formula in RCW 28A.150.260 and the omnibus operating appropriations
8 act.

9 (7) "State's program of basic education" means the instructional
10 program of basic education defined in RCW 28A.150.220.

11 (8) "TRI" means separate contracts for additional time,
12 responsibility, or incentive, which pursuant to RCW 28A.400.200, may
13 not be used for the provision of services that are part of the
14 state's program of basic education.

15 NEW SECTION. **Sec. 102.** WASHINGTON EDUCATION FUNDING COUNCIL
16 CREATED. (1) The legislature intends to fulfill its obligations under
17 Article IX of the state Constitution by completing its implementation
18 of all aspects of chapter 548, Laws of 2009 by September 1, 2018. The
19 funding formulas under chapter 28A.150 RCW to support the state's
20 instructional program must be revised and fully implemented by that
21 date under the schedule of annual benchmarks prescribed in this
22 chapter.

23 (2) The Washington education funding council is created to advise
24 the legislature as the state moves toward full implementation of the
25 state's program of basic education established pursuant to chapter
26 548, Laws of 2009 and the financing and revenues necessary to support
27 such program. The council must make recommendations on how the
28 legislature should meet the requirements outlined in chapter 548,
29 Laws of 2009 by September 1, 2018, thereby fulfilling the
30 requirements of the state supreme court in *McCleary v. State*. As
31 provided in this chapter, the council must submit to the legislature
32 recommended changes to state salary allocation formulas and state tax
33 laws to support the state's program of basic education as established
34 under chapter 548, Laws of 2009, along with corresponding
35 recommendations on the state property tax, local levy laws, levy
36 equalization, and other state laws.

37 (3) As provided in sections 201 and 203 of this act, the council
38 shall submit reports to the governor and the legislature detailing
39 its recommendations, including recommendations for resolving issues

1 or decisions requiring legislative action during the 2016 and 2017
2 legislative sessions, and recommendations for any funding necessary
3 to complete development and implementation of chapter 548, Laws of
4 2009. The recommendations must also include the technical details for
5 implementing the recommendations.

6 (4)(a) The council consists of the following members:

7 (i) Eight legislators, with two members from each of the two
8 largest caucuses of the senate appointed by the president of the
9 senate and two members from each of the two largest caucuses of the
10 house of representatives appointed by the speaker of the house of
11 representatives;

12 (ii) The governor, or the governor's designee; and

13 (iii) The state superintendent of public instruction, or the
14 superintendent's designee.

15 (b) The council shall select cochairs from among its legislative
16 members.

17 (c) The council is staffed by the house of representatives office
18 of program research, senate committee services, and the office of
19 financial management, with additional staff support provided by the
20 state entities with representatives on the council.

21 (5) Recommendations of the council require the affirmative vote
22 of seven of its members.

23 (6) Legislative members of the council must be reimbursed for
24 travel expenses in accordance with RCW 44.04.120. Nonlegislative
25 members, except those representing an employer or organization, are
26 entitled to be reimbursed for travel expenses in accordance with RCW
27 43.03.050 and 43.03.060.

28 (7) The expenses of the council must be paid jointly by the
29 senate and the house of representatives. Council expenditures are
30 subject to approval by the senate facilities and operations committee
31 and the house of representatives executive rules committee, or their
32 successor committees.

33 NEW SECTION. **Sec. 103.** WASHINGTON EDUCATION FUNDING COUNCIL MAY
34 ESTABLISH TECHNICAL WORKING GROUPS. (1) The council may also
35 establish technical working groups to advise the task force on
36 technical and practical aspects of proposed policies and formulas.

37 (2) The technical working group or groups may include
38 representatives of the legislative evaluation and accountability
39 program committee, school district and educational service district

1 financial managers, the Washington association of school business
2 officers, the Washington education association, the Washington
3 association of school administrators, the association of Washington
4 school principals, the Washington state school directors'
5 association, the public school employees of Washington, and other
6 interested stakeholders with expertise in education finance or state
7 revenue.

8 **PART II**

9 **SCHEDULE FOR COUNCIL RECOMMENDATIONS AND LEGISLATIVE ENACTMENTS**

10 NEW SECTION. **Sec. 201.** WASHINGTON EDUCATION FUNDING COUNCIL
11 RECOMMENDATIONS TO THE 2016 LEGISLATURE. By December 1, 2015, the
12 council shall provide the legislature and governor with a report that
13 contains:

14 (1) Preliminary recommendations for statewide minimum and average
15 salary allocations for certificated instructional staff, certificated
16 administrative staff, and classified staff, including recommendations
17 on localization, to take effect with the 2018-19 school year;

18 (2) Preliminary recommendations for amount of and mechanisms for
19 state allocations for state-funded school district employee health
20 insurance benefits. In making the recommendations, the council must
21 consider data and analysis submitted by the health care authority to
22 the legislature in June 2015 pursuant to chapter 3, Laws of 2012 2nd
23 sp. sess. to consider the adequacy of and mechanisms for these
24 allocations;

25 (3)(a) Research describing the current use of TRI and
26 supplemental contracts, broken down by use and estimated dollar
27 amount per use. This research must distinguish among (i) additional
28 services, such as coaching, or similar services rendered outside the
29 school day; (ii) additional services performed during the school day,
30 such as service as a department head; (iii) salary supplements for
31 work "deemed done" or work such as grading papers that would
32 ordinarily be considered part of the teacher's job; (iv) supplemental
33 contracts that are part of the state's program of basic education,
34 such as preparation of individualized education plans; (v) other
35 types of supplemental contracts; and (vi) extra time for professional
36 development;

37 (b) Research describing, and quantifying if possible, other
38 factors that affect TRI and other supplemental contracts including,

1 but not limited to: Difficulty of attracting staff to particular
2 schools or programs, collective bargaining laws and practices, local
3 compensation philosophy, local cost-of-living differences, and
4 community expectations;

5 (c) Research describing local levy expenditures on items other
6 than salaries, broken down into specific categories, such as
7 technology, the transitional bilingual instruction program, special
8 education, the highly capable program, athletics, extracurricular
9 activities, other intermural activities, or equipment;

10 (4) In light of the research in subsection (3) of this section,
11 recommendations for a statutory definition of enrichment and
12 authorized TRI. The recommendations must be sufficiently specific to
13 provide guidance to school districts and auditors while being
14 sufficiently flexible to allow local innovation. The recommended
15 definition of enrichment may not prohibit use of local levies to hire
16 additional staff for class size reduction beyond that specified in
17 the omnibus appropriations act;

18 (5) Recommendations on protections for the state to ensure that
19 local levy funding is used only for enrichment, in addition to the
20 provisions of sections 301 through 310 of this act. These may include
21 additional auditing requirements, additional requirements for school
22 district accounting, additional reporting by school districts, and
23 changes to collective bargaining laws or practices; and

24 (6) Recommendations on policies for levy equalization.

25 NEW SECTION. **Sec. 202.** LEGISLATION TO BE ENACTED DURING THE
26 2016 LEGISLATIVE SESSION. By June 30, 2016, the legislature shall
27 enact legislation that:

28 (1) Quantifies the portion of locally funded salaries that is the
29 responsibility of the state's program of basic education and
30 establishes preliminary policy guidance for the council to develop a
31 new state salary model for implementation in the 2018-19 school year,
32 which (a) must include localization, (b) may include simplification
33 or elimination of the state certificated instructional staff salary
34 grid, or both, and (c) may include a mechanism for inflationary
35 adjustment;

36 (2) Establishes preliminary policy guidance for the amount of and
37 mechanisms for state allocations for health insurance benefits for
38 state-funded school district employees. The legislation must consider

1 the work of the joint legislative audit and review committee under
2 chapter 3, Laws of 2012 2nd sp. sess.;

3 (3) Effective September 1, 2018:

4 (a) Defines "enrichment";

5 (b) Defines appropriate use of local levy funding to supplement
6 salaries for state-funded employees; and

7 (c) Establishes protections that allow the state to demonstrate
8 its funding of the state's program of basic education and that
9 ensures local levy expenditures are outside the state's program of
10 basic education;

11 (4) Establishes preliminary policy guidance for state property
12 taxes for collection beginning in calendar year 2018. Taken together
13 with the guidance on local levies, the policies must be revenue-
14 neutral on a statewide basis;

15 (5) Establishes preliminary policy guidance for local levies for
16 collection beginning in calendar year 2018, including a combination
17 of rates, bases, or lids, or any of these. The local levy policy must
18 reflect the newly enacted definition of "enrichment" and the new
19 policies regarding use of local levies to supplement state salary
20 allocations for the state's program of basic education. Taken
21 together with the guidance on state property taxes, the policies must
22 be revenue-neutral on a statewide basis; and

23 (6) Establishes preliminary policy guidance for any use of state
24 funding as levy equalization beginning in calendar year 2018.

25 NEW SECTION. **Sec. 203.** WASHINGTON EDUCATION FUNDING COUNCIL
26 RECOMMENDATIONS TO THE 2017 LEGISLATURE. By December 1, 2016, the
27 council and its technical working groups must make recommendations in
28 a report to the legislature on the following:

29 (1) Quantification, including methods for future adjustment, of a
30 new salary model for implementation in the 2018-19 school year,
31 including quantification and methods for localization and
32 simplification or elimination of the existing grid;

33 (2) Quantification of state property tax rates and local levy
34 bases, rates, or lids, with recommended legislation for collection in
35 calendar year 2019, and any necessary state property tax rates or
36 local levy policies to address any need for transition in calendar
37 year 2018; and

38 (3) Quantification of formulas for levy equalization, beginning
39 by calendar year 2019.

1 staffing levels and other prototypical school funding elements in RCW
2 28A.150.260.

3 **Sec. 302.** RCW 28A.320.330 and 2009 c 460 s 1 are each amended to
4 read as follows:

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

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

10 (2) A capital projects fund shall be established for major
11 capital purposes. All statutory references to a "building fund" shall
12 mean the capital projects fund so established. Money to be deposited
13 into the capital projects fund shall include, but not be limited to,
14 bond proceeds, proceeds from excess levies authorized by RCW
15 84.52.053, state apportionment proceeds as authorized by RCW
16 28A.150.270, earnings from capital projects fund investments as
17 authorized by RCW 28A.320.310 and 28A.320.320, and state forest
18 revenues transferred pursuant to subsection (3) of this section.

19 Money derived from the sale of bonds, including interest earnings
20 thereof, may only be used for those purposes described in RCW
21 28A.530.010, except that accrued interest paid for bonds shall be
22 deposited in the debt service fund.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

19 (4) An associated student body fund as authorized by RCW
20 28A.325.030.

21 (5) Advance refunding bond funds and refunded bond funds to
22 provide for the proceeds and disbursements as authorized in chapter
23 39.53 RCW.

24 (6) By the 2018-19 school year, each school district must
25 establish a local revenue fund for the purpose of accounting for the
26 financial operations of a school district that are paid for from
27 local revenue. Money deposited into the local revenue fund must
28 include, but is not limited to, proceeds from maintenance and
29 operations levies as authorized by RCW 84.52.053, and local effort
30 assistance payments from the state as authorized by RCW 84.52.0531.
31 Districts must track expenditures from this fund separately to
32 account for the usage of local funds within a school district.

33 **Sec. 303.** RCW 28A.505.140 and 2006 c 263 s 202 are each amended
34 to read as follows:

35 (1) Notwithstanding any other provision of law, the
36 superintendent of public instruction shall adopt such rules as will
37 ensure proper budgetary procedures and practices, including monthly
38 financial statements consistent with the provisions of RCW 43.09.200,
39 and this chapter. By the 2018-19 school year, the rules shall require

1 school districts to provide separate accounting of state, federal,
2 and local revenues and expenditures, and also separate accounting of
3 basic education and nonbasic education expenditures.

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

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

17 **Sec. 304.** RCW 28A.505.040 and 1995 c 121 s 1 are each amended to
18 read as follows:

19 (1) On or before the tenth day of July in each year, all school
20 districts shall prepare their budget for the ensuing fiscal year.
21 Beginning with the 2018-19 school year, the annual budget development
22 process shall include the development or update of a four-year budget
23 projection that includes a four-year enrollment projection.

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

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

37 (b) School districts shall submit one copy of their budget and,
38 beginning with the 2018-19 school year, the four-year budget
39 projection summary and the four-year enrollment projection, to their

1 educational service districts and the office of the superintendent of
2 public instruction for review and comment by July 10th. The
3 superintendent of public instruction may delay the date in this
4 section if the state's operating budget is not finally approved by
5 the legislature until after June 1st.

6 **Sec. 305.** RCW 28A.505.050 and 1995 c 121 s 2 are each amended to
7 read as follows:

8 (1) Upon completion of their budgets as provided in RCW
9 28A.505.040, every school district shall publish a notice stating
10 that the board of directors will meet for the purpose of fixing and
11 adopting the budget of the district for the ensuing fiscal year.

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

16 (3) The notice shall also state that any person may appear
17 (~~thereat~~) at the meeting and be heard for or against any part of
18 such budget or, beginning with the 2018-19 school year, the four-year
19 budget projection summary and the four-year enrollment projection.
20 (~~Said~~) The notice shall be electronically published and published
21 at least once each week for two consecutive weeks in a newspaper of
22 general circulation in the district, or, if there be none, in a
23 newspaper of general circulation in the county or counties in which
24 such district is a part. The last notice shall be published no later
25 than seven days immediately prior to the hearing.

26 **Sec. 306.** RCW 28A.505.060 and 1990 c 33 s 418 are each amended
27 to read as follows:

28 (1) On the date given in said notice as provided in RCW
29 28A.505.050 the school district board of directors shall meet at the
30 time and place designated. Any person may appear (~~thereat~~) at the
31 meeting and be heard for or against any part of such budget or,
32 beginning with the 2018-19 school year, the four-year budget
33 projection summary and the four-year enrollment projection.

34 (2) Such hearing may be continued not to exceed a total of two
35 days: PROVIDED, That the budget must be adopted no later than August
36 31st in first-class school districts, and not later than August 1st
37 in second-class school districts.

1 (3) Upon conclusion of the hearing, the board of directors shall
2 fix and determine the appropriation from each fund contained in the
3 budget separately, and shall by resolution adopt the budget and the
4 appropriations as so finally determined, and, beginning with the
5 2018-19 school year, enter the same in the official minutes of the
6 board: PROVIDED, That first-class school districts shall file copies
7 of their adopted budget with their educational service district no
8 later than September 3rd, and second-class school districts shall
9 forward copies of their adopted budget to their educational service
10 district no later than August 3rd for review, alteration, and
11 approval as provided for in RCW 28A.505.070 by the budget review
12 committee.

13 **Sec. 307.** RCW 28A.505.100 and 1990 c 33 s 420 are each amended
14 to read as follows:

15 (1) The budget shall set forth the estimated revenues for the
16 ensuing fiscal year, the estimated revenues from all sources for the
17 fiscal year current at the time of budget preparation, the actual
18 revenues for the last completed fiscal year, and the reserved and
19 unreserved fund balances for each year. The estimated revenues from
20 all sources for the ensuing fiscal year shall not include any revenue
21 not anticipated to be available during that fiscal year: PROVIDED,
22 That school districts, pursuant to RCW 28A.505.110, can be granted
23 permission by the superintendent of public instruction to include as
24 revenues in their budgets, receivables collectible in future fiscal
25 years.

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

31 (b) The budget shall set forth the state-funded salary amounts,
32 locally funded salary amounts, total salary amounts, full-time
33 equivalents((7)) for each individual certificated instructional
34 staff, certificated administrative staff, and classified staff; and
35 the high, low, and average annual salaries, which shall be displayed
36 by job classification within each budget classification. ((If
37 individual salaries within each job classification are not displayed,
38 districts shall provide the individual salaries together with the
39 title or position of the recipient and the total amounts of salary

1 ~~under each budget class upon request.))~~ Additionally, the district's
2 salary schedules shall be displayed.

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

8 NEW SECTION. Sec. 308. A new section is added to chapter
9 28A.320 RCW to read as follows:

10 Beginning with the 2018-19 school year, each school district is
11 encouraged to annually use the four-year budget projection and the
12 four-year enrollment projection developed under RCW 28A.505.140 to
13 inform the school district's decisions regarding the district's
14 instructional priorities and program offerings and to communicate
15 this information to the local community.

16 NEW SECTION. Sec. 309. A new section is added to chapter 43.09
17 RCW to read as follows:

18 Beginning with the 2018-19 school year, to ensure local funds are
19 not being expended for basic education purposes except for locally
20 provided salaries as authorized in law, the state auditor's regular
21 financial audits of school districts must include a review of the
22 expenditure of local levy funds, including any supplemental contracts
23 entered into under RCW 28A.400.200.

24 **Sec. 310.** RCW 43.09.265 and 1995 c 301 s 16 are each amended to
25 read as follows:

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

28 (2) Beginning with the 2018-19 school year, the state auditor,
29 with the assistance of the department of revenue, shall report within
30 ninety days to the office of the superintendent of public instruction
31 and the education and finance committees of the legislature any
32 findings of local school district noncompliance with statutory
33 restrictions on the use of school district levies.

34 **PART IV**
35 **ELIMINATING AND CORRECTING REFERENCES TO THE QUALITY EDUCATION**
36 **COUNCIL**

1 **Sec. 401.** RCW 28A.175.075 and 2013 c 23 s 46 are each amended to
2 read as follows:

3 (1) The office of the superintendent of public instruction shall
4 establish a state-level building bridges work group that includes
5 K-12 and state agencies that work with youth who have dropped out or
6 are at risk of dropping out of school. The following agencies shall
7 appoint representatives to the work group: The office of the
8 superintendent of public instruction, the workforce training and
9 education coordinating board, the department of early learning, the
10 employment security department, the state board for community and
11 technical colleges, the department of health, the community
12 mobilization office, and the children's services and behavioral
13 health and recovery divisions of the department of social and health
14 services. The work group should also consist of one representative
15 from each of the following agencies and organizations: A statewide
16 organization representing career and technical education programs
17 including skill centers; the juvenile courts or the office of
18 juvenile justice, or both; the Washington association of prosecuting
19 attorneys; the Washington state office of public defense; accredited
20 institutions of higher education; the educational service districts;
21 the area workforce development councils; parent and educator
22 associations; educational opportunity gap oversight and
23 accountability committee; office of the education ombuds; local
24 school districts; agencies or organizations that provide services to
25 special education students; community organizations serving youth;
26 federally recognized tribes and urban tribal centers; each of the
27 major political caucuses of the senate and house of representatives;
28 and the minority commissions.

29 (2) To assist and enhance the work of the building bridges
30 programs established in RCW 28A.175.025, the state-level work group
31 shall:

32 (a) Identify and make recommendations to the legislature for the
33 reduction of fiscal, legal, and regulatory barriers that prevent
34 coordination of program resources across agencies at the state and
35 local level;

36 (b) Develop and track performance measures and benchmarks for
37 each partner agency or organization across the state including
38 performance measures and benchmarks based on student characteristics
39 and outcomes specified in RCW 28A.175.035(1)(e); and

1 (c) Identify research-based and emerging best practices regarding
2 prevention, intervention, and retrieval programs.

3 (3)(a) The work group shall report to the (~~quality education~~
4 ~~council~~) appropriate committees of the legislature(~~(7)~~) and the
5 governor on an annual basis beginning December 1, 2007, with proposed
6 strategies for building K-12 dropout prevention, intervention, and
7 reengagement systems in local communities throughout the state
8 including, but not limited to, recommendations for implementing
9 emerging best practices, needed additional resources, and eliminating
10 barriers.

11 (b) By September 15, 2010, the work group shall report on:

12 (i) A recommended state goal and annual state targets for the
13 percentage of students graduating from high school;

14 (ii) A recommended state goal and annual state targets for the
15 percentage of youth who have dropped out of school who should be
16 reengaged in education and be college and work ready;

17 (iii) Recommended funding for supporting career guidance and the
18 planning and implementation of K-12 dropout prevention, intervention,
19 and reengagement systems in school districts and a plan for phasing
20 the funding into the program of basic education, beginning in the
21 2011-2013 biennium; and

22 (iv) A plan for phasing in the expansion of the current school
23 improvement planning program to include state-funded, dropout-focused
24 school improvement technical assistance for school districts in
25 significant need of improvement regarding high school graduation
26 rates.

27 (4) State agencies in the building bridges work group shall work
28 together, wherever feasible, on the following activities to support
29 school/family/community partnerships engaged in building K-12 dropout
30 prevention, intervention, and reengagement systems:

31 (a) Providing opportunities for coordination and flexibility of
32 program eligibility and funding criteria;

33 (b) Providing joint funding;

34 (c) Developing protocols and templates for model agreements on
35 sharing records and data;

36 (d) Providing joint professional development opportunities that
37 provide knowledge and training on:

38 (i) Research-based and promising practices;

39 (ii) The availability of programs and services for vulnerable
40 youth; and

1 (iii) Cultural competence.

2 (5) The building bridges work group shall make recommendations to
3 the governor and the legislature by December 1, 2010, on a state-
4 level and regional infrastructure for coordinating services for
5 vulnerable youth. Recommendations must address the following issues:

6 (a) Whether to adopt an official conceptual approach or framework
7 for all entities working with vulnerable youth that can support
8 coordinated planning and evaluation;

9 (b) The creation of a performance-based management system,
10 including outcomes, indicators, and performance measures relating to
11 vulnerable youth and programs serving them, including accountability
12 for the dropout issue;

13 (c) The development of regional and/or county-level multipartner
14 youth consortia with a specific charge to assist school districts and
15 local communities in building K-12 comprehensive dropout prevention,
16 intervention, and reengagement systems;

17 (d) The development of integrated or school-based one-stop
18 shopping for services that would:

19 (i) Provide individualized attention to the neediest youth and
20 prioritized access to services for students identified by a dropout
21 early warning and intervention data system;

22 (ii) Establish protocols for coordinating data and services,
23 including getting data release at time of intake and common
24 assessment and referral processes; and

25 (iii) Build a system of single case managers across agencies;

26 (e) Launching a statewide media campaign on increasing the high
27 school graduation rate; and

28 (f) Developing a statewide database of available services for
29 vulnerable youth.

30 **Sec. 402.** RCW 28A.230.090 and 2014 c 217 s 202 are each amended
31 to read as follows:

32 (1) The state board of education shall establish high school
33 graduation requirements or equivalencies for students, except as
34 provided in RCW 28A.230.122 and except those equivalencies
35 established by local high schools or school districts under RCW
36 28A.230.097. The purpose of a high school diploma is to declare that
37 a student is ready for success in postsecondary education, gainful
38 employment, and citizenship, and is equipped with the skills to be a
39 lifelong learner.

1 (a) Any course in Washington state history and government used to
2 fulfill high school graduation requirements shall consider including
3 information on the culture, history, and government of the American
4 Indian peoples who were the first inhabitants of the state.

5 (b) The certificate of academic achievement requirements under
6 RCW 28A.655.061 or the certificate of individual achievement
7 requirements under RCW 28A.155.045 are required for graduation from a
8 public high school but are not the only requirements for graduation.

9 (c) Any decision on whether a student has met the state board's
10 high school graduation requirements for a high school and beyond plan
11 shall remain at the local level. Effective with the graduating class
12 of 2015, the state board of education may not establish a requirement
13 for students to complete a culminating project for graduation.

14 (d)(i) The state board of education shall adopt rules to
15 implement the career and college ready graduation requirement
16 proposal adopted under board resolution on November 10, 2010, and
17 revised on January 9, 2014, to take effect beginning with the
18 graduating class of 2019 or as otherwise provided in this subsection
19 (1)(d). The rules must include authorization for a school district to
20 waive up to two credits for individual students based on unusual
21 circumstances and in accordance with written policies that must be
22 adopted by each board of directors of a school district that grants
23 diplomas. The rules must also provide that the content of the third
24 credit of mathematics and the content of the third credit of science
25 may be chosen by the student based on the student's interests and
26 high school and beyond plan with agreement of the student's parent or
27 guardian or agreement of the school counselor or principal.

28 (ii) School districts may apply to the state board of education
29 for a waiver to implement the career and college ready graduation
30 requirement proposal beginning with the graduating class of 2020 or
31 2021 instead of the graduating class of 2019. In the application, a
32 school district must describe why the waiver is being requested, the
33 specific impediments preventing timely implementation, and efforts
34 that will be taken to achieve implementation with the graduating
35 class proposed under the waiver. The state board of education shall
36 grant a waiver under this subsection (1)(d) to an applying school
37 district at the next subsequent meeting of the board after receiving
38 an application.

39 (2)(a) In recognition of the statutory authority of the state
40 board of education to establish and enforce minimum high school

1 graduation requirements, the state board shall periodically
2 reevaluate the graduation requirements and shall report such findings
3 to the legislature in a timely manner as determined by the state
4 board.

5 (b) The state board shall reevaluate the graduation requirements
6 for students enrolled in vocationally intensive and rigorous career
7 and technical education programs, particularly those programs that
8 lead to a certificate or credential that is state or nationally
9 recognized. The purpose of the evaluation is to ensure that students
10 enrolled in these programs have sufficient opportunity to earn a
11 certificate of academic achievement, complete the program and earn
12 the program's certificate or credential, and complete other state and
13 local graduation requirements.

14 (c) The state board shall forward any proposed changes to the
15 high school graduation requirements to the education committees of
16 the legislature for review (~~and to the quality education council~~
17 ~~established under RCW 28A.290.010~~). The legislature shall have the
18 opportunity to act during a regular legislative session before the
19 changes are adopted through administrative rule by the state board.
20 Changes that have a fiscal impact on school districts, as identified
21 by a fiscal analysis prepared by the office of the superintendent of
22 public instruction, shall take effect only if formally authorized and
23 funded by the legislature through the omnibus appropriations act or
24 other enacted legislation.

25 (3) Pursuant to any requirement for instruction in languages
26 other than English established by the state board of education or a
27 local school district, or both, for purposes of high school
28 graduation, students who receive instruction in American sign
29 language or one or more American Indian languages shall be considered
30 to have satisfied the state or local school district graduation
31 requirement for instruction in one or more languages other than
32 English.

33 (4) If requested by the student and his or her family, a student
34 who has completed high school courses before attending high school
35 shall be given high school credit which shall be applied to
36 fulfilling high school graduation requirements if:

37 (a) The course was taken with high school students, if the
38 academic level of the course exceeds the requirements for seventh and
39 eighth grade classes, and the student has successfully passed by

1 completing the same course requirements and examinations as the high
2 school students enrolled in the class; or

3 (b) The academic level of the course exceeds the requirements for
4 seventh and eighth grade classes and the course would qualify for
5 high school credit, because the course is similar or equivalent to a
6 course offered at a high school in the district as determined by the
7 school district board of directors.

8 (5) Students who have taken and successfully completed high
9 school courses under the circumstances in subsection (4) of this
10 section shall not be required to take an additional competency
11 examination or perform any other additional assignment to receive
12 credit.

13 (6) At the college or university level, five quarter or three
14 semester hours equals one high school credit.

15 **Sec. 403.** RCW 28A.300.136 and 2013 c 23 s 49 are each amended to
16 read as follows:

17 (1) An educational opportunity gap oversight and accountability
18 committee is created to synthesize the findings and recommendations
19 from the 2008 achievement gap studies into an implementation plan,
20 and to recommend policies and strategies to the superintendent of
21 public instruction, the professional educator standards board, and
22 the state board of education to close the achievement gap.

23 (2) The committee shall recommend specific policies and
24 strategies in at least the following areas:

25 (a) Supporting and facilitating parent and community involvement
26 and outreach;

27 (b) Enhancing the cultural competency of current and future
28 educators and the cultural relevance of curriculum and instruction;

29 (c) Expanding pathways and strategies to prepare and recruit
30 diverse teachers and administrators;

31 (d) Recommending current programs and resources that should be
32 redirected to narrow the gap;

33 (e) Identifying data elements and systems needed to monitor
34 progress in closing the gap;

35 (f) Making closing the achievement gap part of the school and
36 school district improvement process; and

37 (g) Exploring innovative school models that have shown success in
38 closing the achievement gap.

1 (3) Taking a multidisciplinary approach, the committee may seek
2 input and advice from other state and local agencies and
3 organizations with expertise in health, social services, gang and
4 violence prevention, substance abuse prevention, and other issues
5 that disproportionately affect student achievement and student
6 success.

7 (4) The educational opportunity gap oversight and accountability
8 committee shall be composed of the following members:

9 (a) The chairs and ranking minority members of the house and
10 senate education committees, or their designees;

11 (b) One additional member of the house of representatives
12 appointed by the speaker of the house and one additional member of
13 the senate appointed by the president of the senate;

14 (c) A representative of the office of the education ombuds;

15 (d) A representative of the center for the improvement of student
16 learning in the office of the superintendent of public instruction;

17 (e) A representative of federally recognized Indian tribes whose
18 traditional lands and territories lie within the borders of
19 Washington state, designated by the federally recognized tribes; and

20 (f) Four members appointed by the governor in consultation with
21 the state ethnic commissions, who represent the following
22 populations: African-Americans, Hispanic Americans, Asian Americans,
23 and Pacific Islander Americans.

24 (5) The governor and the tribes are encouraged to designate
25 members who have experience working in and with schools.

26 (6) The committee may convene ad hoc working groups to obtain
27 additional input and participation from community members. Members of
28 ad hoc working groups shall serve without compensation and shall not
29 be reimbursed for travel or other expenses.

30 (7) The chair or cochairs of the committee shall be selected by
31 the members of the committee. Staff support for the committee shall
32 be provided by the center for the improvement of student learning.
33 Members of the committee shall serve without compensation but must be
34 reimbursed as provided in RCW 43.03.050 and 43.03.060. Legislative
35 members of the committee shall be reimbursed for travel expenses in
36 accordance with RCW 44.04.120.

37 (8) The superintendent of public instruction, the state board of
38 education, and the professional educator standards board(~~(, and the~~
39 ~~quality education council~~)) shall work collaboratively with the

1 educational opportunity gap oversight and accountability committee to
2 close the achievement gap.

3 **Sec. 404.** RCW 28A.400.201 and 2011 1st sp.s. c 43 s 468 are each
4 amended to read as follows:

5 (1) The legislature recognizes that providing students with the
6 opportunity to access a world-class educational system depends on our
7 continuing ability to provide students with access to world-class
8 educators. The legislature also understands that continuing to
9 attract and retain the highest quality educators will require
10 increased investments. The legislature intends to enhance the current
11 salary allocation model and recognizes that changes to the current
12 model cannot be imposed without great deliberation and input from
13 teachers, administrators, and classified employees. Therefore, it is
14 the intent of the legislature to begin the process of developing an
15 enhanced salary allocation model that is collaboratively designed to
16 ensure the rationality of any conclusions regarding what constitutes
17 adequate compensation.

18 (2) Beginning July 1, 2011, the office of the superintendent of
19 public instruction, in collaboration with the human resources
20 director in the office of financial management, shall convene a
21 technical working group to recommend the details of an enhanced
22 salary allocation model that aligns state expectations for educator
23 development and certification with the compensation system and
24 establishes recommendations for a concurrent implementation schedule.
25 In addition to any other details the technical working group deems
26 necessary, the technical working group shall make recommendations on
27 the following:

28 (a) How to reduce the number of tiers within the existing salary
29 allocation model;

30 (b) How to account for labor market adjustments;

31 (c) How to account for different geographic regions of the state
32 where districts may encounter difficulty recruiting and retaining
33 teachers;

34 (d) The role of and types of bonuses available;

35 (e) Ways to accomplish salary equalization over a set number of
36 years; and

37 (f) Initial fiscal estimates for implementing the recommendations
38 including a recognition that staff on the existing salary allocation

1 model would have the option to grandfather in permanently to the
2 existing schedule.

3 (3) As part of its work, the technical working group shall
4 conduct or contract for a preliminary comparative labor market
5 analysis of salaries and other compensation for school district
6 employees to be conducted and shall include the results in any
7 reports to the legislature. For the purposes of this subsection,
8 "salaries and other compensation" includes average base salaries,
9 average total salaries, average employee basic benefits, and
10 retirement benefits.

11 (4) The analysis required under subsection (1) of this section
12 must:

13 (a) Examine salaries and other compensation for teachers, other
14 certificated instructional staff, principals, and other building-
15 level certificated administrators, and the types of classified
16 employees for whom salaries are allocated;

17 (b) Be calculated at a statewide level that identifies labor
18 markets in Washington through the use of data from the United States
19 bureau of the census and the bureau of labor statistics; and

20 (c) Include a comparison of salaries and other compensation to
21 the appropriate labor market for at least the following subgroups of
22 educators: Beginning teachers and types of educational staff
23 associates.

24 (5) The working group shall include representatives of the office
25 of financial management, the professional educator standards board,
26 the office of the superintendent of public instruction, the
27 Washington education association, the Washington association of
28 school administrators, the association of Washington school
29 principals, the Washington state school directors' association, the
30 public school employees of Washington, and other interested
31 stakeholders with appropriate expertise in compensation related
32 matters. The working group may convene advisory subgroups on specific
33 topics as necessary to assure participation and input from a broad
34 array of diverse stakeholders.

35 (6) The working group shall be monitored and overseen by the
36 legislature (~~(and the quality education council created in RCW~~
37 ~~28A.290.010)~~). The working group shall make an initial report to the
38 legislature by June 30, 2012, and shall include in its report
39 recommendations for whether additional further work of the group is
40 necessary.

Council membership. The treasurer is removed from the Council. Recommendations of the Council require the approval of seven of ten members.

Council recommendations on state salary formula. As a starting point for its deliberations, the Council's preliminary recommendations for a salary allocation formula should begin with the assumption that the salary cost of the state's program of basic education is the sum of total statewide salary allocations for state-funded employees in the 2014-15 school year rather than ninety percent of this difference in Substitute House Bill No. 2239. Intent is declared that a localization mechanism is needed to avoid funding all salaries at the level of the highest-cost district, and that the new formulas must eliminate "grandfathering."

State allocations for school district employee health insurance benefits. The recommendations and enactments on health care benefits no longer include a requirement for parity with state employee benefit rates, and a school employee benefits board is specifically mentioned as a potential mechanism for allocating health care benefits.

Local levies. Intent is declared that revisions to local levy laws must consider sensitivity to tax rates for districts that have relatively low property values. New levy policies should eliminate "grandfathered" levy bases. The definition of "enrichment" may not prohibit use of local levies to hire additional staff for class size reduction beyond the program of basic education.

Levy equalization. Recommendations and enactments must assume that levy equalization continues.

School district accounting and transparency. A number of changes to school district accounting and budgeting policies are made, taking effect September 1, 2018. Districts must establish a separate fund for local revenues, and must separately account for state, federal, and local revenues and expenditures. Districts must develop four-year budget projections. School district budgets must contain more detailed salary information. The State Auditor's regular financial audits must review expenditures from the local fund, and the Auditor must report findings of noncompliance to OSPI and the education and finance committees of the legislature.

Quality Education Council. The Quality Education Council is eliminated and statutory references to it are repealed.

Intent section. The intent section is revised to clarify and reflect legislative intent that increased state salary allocations are supported by an increase in the state property tax and reductions in local levies, with the property tax revisions being revenue-neutral on a statewide basis.

--- END ---