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**ENGROSSED SUBSTITUTE HOUSE BILL 1732**

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**State of Washington 68th Legislature 2023 Regular Session**

**By** House Appropriations (originally sponsored by Representatives Bergquist, Stonier, Ormsby, and Macri)

AN ACT Relating to changing the inflation adjustment index for state salary allocations to schools; amending RCW 28A.400.205; and creating new sections.

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

NEW SECTION. **Sec.**  The legislature finds that recent inflation volatility has impacted costs for schools and their employees. In defining salary allocations for school employees, the legislature applies inflation annually to adjust for changing costs.

The legislature also finds that school districts need to know inflation adjustments for salary allocations prior to the start of a school year for their planning and budgeting. Relying on a projected inflation factor before the start of a school year, as has been the practice since the 2018-19 school year, has been challenging during periods of inflation volatility. For example, the projected inflation factor adopted in the 2021 operating budget for the 2021-22 school year was 2.0 percent, whereas the final inflation factor for that period was 5.8 percent. This volatility has resulted in the legislature rebasing salaries in subsequent years to keep pace with changing costs.

Therefore, the legislature intends to change the inflation factor to use prior year inflation rather than projected inflation to add predictability and certainty to school district planning and budgets, and to better reflect changing costs in salary allocations.

**Sec.**  RCW 28A.400.205 and 2018 c 266 s 206 are each amended to read as follows:

(1) School district employees shall be provided an annual salary inflationary increase in accordance with this section.

(a) The inflationary increase shall be calculated by applying the rate of the yearly increase in the inflationary adjustment index to any state-funded salary base used in state funding formulas for teachers and other school district employees. Beginning with the 2019-20 school year, each school district shall be provided an inflationary adjustment allocation sufficient to grant this inflationary increase.

(b) A school district shall distribute its inflationary adjustment allocation for salaries and salary-related benefits in accordance with the district's 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 inflationary increases on salaries and salary-related benefits.

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

(2) For the purposes of this section, "inflationary adjustment index" means((~~, for any~~)):

(a) For the 2023-24 school year, 3.7 percent; and

(b) Beginning in the 2024-25 school year, the implicit price deflator for ((~~that fiscal~~)) the calendar year prior to the beginning of the school year, using the official current base, compiled by the bureau of economic analysis, United States department of commerce.

NEW SECTION. **Sec.**  If specific funding for the purposes of this act, referencing this act by bill or chapter number, is not provided by June 30, 2023, in the omnibus appropriations act, this act is null and void.

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