

# HOUSE BILL REPORT

## HB 1358

---

*As Reported By House Committee on:  
Education  
Appropriations*

**Title:** An act relating to school and educational service districts' employee attendance incentive programs.

**Brief Description:** Allowing educational employees to choose a benefit plan in lieu of remuneration for unused sick leave.

**Sponsor(s):** Representatives Dorn, Holland, Neher, Peery, Sprenkle, Brumsickle, Rasmussen, Inslee, R. Meyers, Winsley, Edmondson, Mielke, Miller, Betrozoff, G. Fisher, Basich, Pruitt, Orr, H. Myers, Roland, Rayburn and Anderson.

**Brief History:**

Reported by House Committee on:  
Education, February 11, 1991, DP;  
Appropriations, March 9, 1991, DPS.

---

**HOUSE COMMITTEE ON  
EDUCATION**

**Majority Report:** *Do pass.* Signed by 18 members: Representatives Peery, Chair; G. Fisher, Vice Chair; Brough, Ranking Minority Member; Vance, Assistant Ranking Minority Member; Betrozoff; Broback; Brumsickle; Cole; Dorn; P. Johnson; Jones; Neher; Orr; Phillips; Rasmussen; Roland; H. Sommers; and Valle.

**Staff:** Bob Butts (786-7111).

**Background:** Under current law, school district and Educational Service District (ESD) employees may be paid annually for unused sick leave after they have accumulated 60 days of sick leave. Sick leave may also be cashed-out when an employee retires or dies. The rate of compensation in both cases is one day's pay for each four full days of accrued sick leave.

In lieu of a monetary payment at the time of retirement, school district and ESD employees may use the compensation for post retirement medical benefits under programs established by their respective Board of Directors.

It has been requested that employees be able to convert unused sick leave to medical plans on an annual basis.

**Summary of Bill:** School district and Educational Service District employees who are eligible under existing law to receive annual remuneration for unused sick leave may choose to have the remuneration used for a medical benefit plan instead of receiving cash.

**Fiscal Note:** Available.

**Effective Date:** Ninety days after adjournment of session in which bill is passed.

**Testimony For:** The bill does not change existing eligibility rules regarding cash-out of sick leave, but does allow employees more flexibility in how the remuneration is used. It also would result in a tax savings for the employee.

**Testimony Against:** None.

**Witnesses:** Kris Van Gorkom, Washington Association of School Administrators (in favor); and Walter Ball, Washington School Principals Association (in favor).

---

**HOUSE COMMITTEE ON  
APPROPRIATIONS**

**Majority Report:** *That Substitute House Bill No. 1358 be substituted therefor, and the substitute bill do pass.* Signed by 25 members: Representatives Locke, Chair; Inslee, Vice Chair; Spanel, Vice Chair; Silver, Ranking Minority Member; Morton, Assistant Ranking Minority Member; Appelwick; Belcher; Bowman; Brekke; Dorn; Ebersole; Ferguson; Fuhrman; Hine; May; McLean; Mielke; Nealey; Peery; Pruitt; Rust; Sprenkle; Valle; Vance; and Wineberry.

**Staff:** Barbara McLain (786-7153).

**Summary of Recommendation of Committee on Appropriations Compared to Recommendation of Committee on Education:** Any benefit plan adopted after the effective date of the act must require that a participating employee agree to hold the employer harmless if the IRS finds that income tax or other withholding taxes are due on the money placed in the benefit plan.

**Fiscal Note:** Available.

**Effective Date of Substitute Bill:** Ninety days after adjournment of session in which bill is passed.

**Testimony For:** Placing the funds in a benefit plan encourages prudent planning. The program is voluntary as currently operated in school districts and costs the employer nothing. Districts offer plans currently with no problem from the IRS regarding tax liability.

**Testimony Against:** None.

**Witnesses:** Walter Ball, Washington School Principals Association; Kris Van Gorkom, Washington Association of School Administrators; Dr. Cliff Campbell, VEBA Trustees; and Henry Liebman, Attorney for VEBA Trustees.