

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: October 19, 2017 -- Except for sections 102, 202, 505, 701 through 703, and 801, which become effective July 6, 2017; sections 201, 203, 206, 207, 603, 1001, and 1002, which become effective January 1, 2019; sections 304 and 604 through 606, which become effective January 1, 2018; sections 401 through 413, which become effective September 1, 2017; and section 1004, which becomes effective September 1, 2019.

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

1 AN ACT Relating to funding fully the state's program of basic
2 education by providing equitable education opportunities through
3 reform of state and local education contributions; amending RCW
4 28A.150.410, 28A.400.205, 28A.400.200, 84.52.053, 84.52.0531,
5 84.52.0531, 28A.500.010, 28A.500.050, 84.52.065, 84.55.010,
6 84.52.043, 84.52.043, 84.48.080, 84.52.070, 84.55.070, 84.69.020,
7 84.36.381, 84.36.630, 84.52.067, 84.52.825, 79.64.110, 28A.150.200,
8 28A.150.260, 28A.165.005, 28A.165.015, 28A.165.055, 28A.150.390,
9 28A.150.392, 28A.185.020, 28A.150.1981, 28A.150.220, 28A.320.330,
10 28A.505.140, 28A.505.100, 28A.505.040, 28A.505.050, 28A.505.060,
11 41.59.935, 41.05.021, 41.05.022, 41.05.026, 41.05.050, 41.05.055,
12 41.05.075, 41.05.130, 41.05.143, 41.05.670, 28A.400.270, 28A.400.275,
13 28A.400.280, 28A.400.350, 41.56.500, 41.59.105, 48.02.210,
14 28A.545.030, 28A.545.070, and 28A.510.250; reenacting and amending
15 RCW 84.48.110, 84.55.092, 41.05.011, and 41.05.120; adding new
16 sections to chapter 28A.150 RCW; adding new sections to chapter
17 28A.415 RCW; adding a new section to chapter 28A.505 RCW; adding a
18 new section to chapter 28A.500 RCW; adding new sections to chapter
19 28A.300 RCW; adding a new section to chapter 43.09 RCW; adding a new
20 section to chapter 28A.320 RCW; adding new sections to chapter
21 28A.400 RCW; adding new sections to chapter 41.56 RCW; adding new
22 sections to chapter 41.59 RCW; adding a new section to chapter 41.05
23 RCW; creating new sections; recodifying RCW 28A.300.600, 28A.300.602,

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

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

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

20 **PART I**
21 **SALARY ALLOCATIONS**

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

24 SALARY ALLOCATION METHODOLOGY—REGULAR REALIGNMENT—ADJUSTMENTS
25 FOR REGIONAL DIFFERENCES IN THE COST OF HIRING STAFF. (1) Through the
26 2017-18 school year, the legislature shall establish for each school
27 year in the appropriations act a statewide salary allocation
28 schedule, for allocation purposes only, to be used to distribute
29 funds for basic education certificated instructional staff salaries
30 under RCW 28A.150.260. For the purposes of this section, the staff
31 allocations for classroom teachers, teacher librarians, guidance
32 counselors, and student health services staff under RCW 28A.150.260
33 are considered allocations for certificated instructional staff.

34 (2) Through the 2017-18 school year, salary allocations for
35 state-funded basic education certificated instructional staff shall
36 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

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

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

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

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

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

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

37 (a) The ~~((cost-of-living))~~ inflationary increase shall be
38 calculated by applying the rate of the yearly increase in the ~~((cost-~~
39 ~~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,

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

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

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

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

13 (i) Salaries for full-time certificated instructional staff must
14 not be less than forty thousand dollars, to be adjusted for regional
15 differences in the cost of hiring staff as specified in RCW
16 28A.150.410, and to be adjusted annually by the same inflationary
17 measure as provided in RCW 28A.400.205;

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

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

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

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

36 (3)(a)(i) Through the 2017-18 school year the actual average
37 salary paid to certificated instructional staff shall not exceed the
38 district's average certificated instructional staff salary used for
39 the state basic education allocations for that school year as
40 determined pursuant to RCW 28A.150.410.

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

4 (iii) Beginning with the 2019-20 school year, for purposes of
5 subsection (4) of this section, section 501 of this act, and RCW
6 28A.505.100, each school district must annually identify the actual
7 salary paid to each certificated instructional staff for services
8 rendered as part of the state's program of basic education.

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

27 (c) Salary and benefits for certificated instructional staff in
28 programs other than basic education shall be consistent with the
29 salary and benefits paid to certificated instructional staff in the
30 basic education program.

31 (4)(a) Salaries and benefits for certificated instructional staff
32 may exceed the limitations in subsection (3) of this section only by
33 separate contract for additional time, for additional
34 responsibilities, or for incentives((, or for implementing specific
35 measurable innovative activities, including professional development,
36 specified by the school district to: (a) Close one or more
37 achievement gaps, (b) focus on development of science, technology,
38 engineering, and mathematics (STEM) learning opportunities, or (c)
39 provide arts education. Beginning September 1, 2011, school districts
40 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.

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

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

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

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

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

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

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

21 (3) To aid the legislature in reviewing and rebasing
22 regionalization factors, the department of revenue shall, by November
23 1, 2022, and by November 1st every six years thereafter, determine
24 the median single-family residential value of each school district as
25 well as the median value of proximate districts within fifteen miles
26 of the boundary of the school district for which the median
27 residential value is being calculated.

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

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

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

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

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

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

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

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

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

19 **NEW SECTION.** **Sec. 105.** A new section is added to chapter
20 28A.150 RCW to read as follows:

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

25 (a) One professional learning day in the 2018-19 school year;
26 (b) Two professional learning days in the 2019-20 school year;
27 and

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

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

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

35 ***NEW SECTION.** **Sec. 106.** *A new section is added to chapter*
36 *28A.150 RCW to read as follows:*

37 ***LATE START/EARLY RELEASE.*** *Beginning in the 2019-20 school year,*
38 *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

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

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

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

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

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

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

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

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

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

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

11 LEVY LIMITATIONS REVISED TO REFLECT FUTURE ENRICHMENT AND
12 ACCOUNTING POLICIES. The maximum dollar amount which may be levied by
13 or for any school district for maintenance and operation support
14 under the provisions of RCW 84.52.053 shall be determined as follows:

15 (1) For excess levies for collection in calendar year 1997, the
16 maximum dollar amount shall be calculated pursuant to the laws and
17 rules in effect in November 1996.

18 (2) For excess levies for collection in calendar year 1998 and
19 thereafter, the maximum dollar amount shall be the sum of (a) plus or
20 minus (b), (c), and (d) of this subsection minus (e) of this
21 subsection:

22 (a) The district's levy base as defined in subsections (3) and
23 (4) of this section multiplied by the district's maximum levy
24 percentage as defined in subsection (7) of this section;

25 (b) For districts in a high/nonhigh relationship, the high school
26 district's maximum levy amount shall be reduced and the nonhigh
27 school district's maximum levy amount shall be increased by an amount
28 equal to the estimated amount of the nonhigh payment due to the high
29 school district under RCW 28A.545.030(3) and 28A.545.050 for the
30 school year commencing the year of the levy;

31 (c) Except for nonhigh districts under (d) of this subsection,
32 for districts in an interdistrict cooperative agreement, the
33 nonresident school district's maximum levy amount shall be reduced
34 and the resident school district's maximum levy amount shall be
35 increased by an amount equal to the per pupil basic education
36 allocation included in the nonresident district's levy base under
37 subsection (3) of this section multiplied by:

38 (i) The number of full-time equivalent students served from the
39 resident district in the prior school year; multiplied by:

1 (ii) The serving district's maximum levy percentage determined
2 under subsection (7) of this section; increased by:

3 (iii) The percent increase per full-time equivalent student as
4 stated in the state basic education appropriation section of the
5 biennial budget between the prior school year and the current school
6 year divided by fifty-five percent;

7 (d) The levy bases of nonhigh districts participating in an
8 innovation academy cooperative established under RCW 28A.340.080
9 shall be adjusted by the office of the superintendent of public
10 instruction to reflect each district's proportional share of student
11 enrollment in the cooperative;

12 (e) The district's maximum levy amount shall be reduced by the
13 maximum amount of state matching funds for which the district is
14 eligible under RCW 28A.500.010.

15 (3) For excess levies for collection in calendar year 2005 and
16 thereafter, a district's levy base shall be the sum of allocations in
17 (a) through (c) of this subsection received by the district for the
18 prior school year and the amounts determined under subsection (4) of
19 this section, including allocations for compensation increases, plus
20 the sum of such allocations multiplied by the percent increase per
21 full time equivalent student as stated in the state basic education
22 appropriation section of the biennial budget between the prior school
23 year and the current school year and divided by fifty-five percent. A
24 district's levy base shall not include local school district property
25 tax levies or other local revenues, or state and federal allocations
26 not identified in (a) through (c) of this subsection.

27 (a) The district's basic education allocation as determined
28 pursuant to RCW 28A.150.250, 28A.150.260, and 28A.150.350;

29 (b) State and federal categorical allocations for the following
30 programs:

31 (i) Pupil transportation;
32 (ii) Special education;
33 (iii) Education of highly capable students;
34 (iv) Compensatory education, including but not limited to
35 learning assistance, migrant education, Indian education, refugee
36 programs, and bilingual education;

37 (v) Food services; and

38 (vi) Statewide block grant programs; and

1 (c) Any other federal allocations for elementary and secondary
2 school programs, including direct grants, other than federal impact
3 aid funds and allocations in lieu of taxes.

4 (4) For levy collections in calendar years 2005 through 2018, in
5 addition to the allocations included under subsection (3)(a) through
6 (c) of this section, a district's levy base shall also include the
7 following:

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

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

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

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

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

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

8 (7)(a) A district's maximum levy percentage shall be twenty-four
9 percent in 2010 and twenty-eight percent in 2011 through 2018 (~~and~~
10 ~~twenty-four percent every year thereafter~~);

11 (b) For qualifying districts, in addition to the percentage in
12 (a) of this subsection the grandfathered percentage determined as
13 follows:

14 (i) For 1997, the difference between the district's 1993 maximum
15 levy percentage and twenty percent; and

16 (ii) For 2011 through 2018, the percentage calculated as follows:

17 (A) Multiply the grandfathered percentage for the prior year
18 times the district's levy base determined under subsection (3) of
19 this section;

20 (B) Reduce the result of (b)(ii)(A) of this subsection by any
21 levy reduction funds as defined in subsection (8) of this section
22 that are to be allocated to the district for the current school year;

23 (C) Divide the result of (b)(ii)(B) of this subsection by the
24 district's levy base; and

25 (D) Take the greater of zero or the percentage calculated in
26 (b)(ii)(C) of this subsection.

27 (8) "Levy reduction funds" shall mean increases in state funds
28 from the prior school year for programs included under subsections
29 (3) and (4) of this section: (a) That are not attributable to
30 enrollment changes, compensation increases, or inflationary
31 adjustments; and (b) that are or were specifically identified as levy
32 reduction funds in the appropriations act. If levy reduction funds
33 are dependent on formula factors which would not be finalized until
34 after the start of the current school year, the superintendent of
35 public instruction shall estimate the total amount of levy reduction
36 funds by using prior school year data in place of current school year
37 data. Levy reduction funds shall not include moneys received by
38 school districts from cities or counties.

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

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

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

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

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

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

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

21 (12) For calendar year 2009, the office of the superintendent of
22 public instruction shall recalculate school district levy authority
23 to reflect levy rates certified by school districts for calendar year
24 2009.

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

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

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

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

6 ENRICHMENT LEVIES BEGINNING IN 2019. ~~((The maximum dollar amount~~
7 ~~which may be levied by or for any school district for maintenance and~~
8 ~~operation support under the provisions of RCW 84.52.053 shall be~~
9 ~~determined as follows:~~

10 ~~(1) For excess levies for collection in calendar year 1997, the~~
11 ~~maximum dollar amount shall be calculated pursuant to the laws and~~
12 ~~rules in effect in November 1996.~~

13 ~~(2) For excess levies for collection in calendar year 1998 and~~
14 ~~thereafter, the maximum dollar amount shall be the sum of (a) plus or~~
15 ~~minus (b), (c), and (d) of this subsection minus (e) of this~~
16 ~~subsection:~~

17 ~~(a) The district's levy base as defined in subsection (3) of this~~
18 ~~section multiplied by the district's maximum levy percentage as~~
19 ~~defined in subsection (4) of this section;~~

20 ~~(b) For districts in a high/nonhigh relationship, the high school~~
21 ~~district's maximum levy amount shall be reduced and the nonhigh~~
22 ~~school district's maximum levy amount shall be increased by an amount~~
23 ~~equal to the estimated amount of the nonhigh payment due to the high~~
24 ~~school district under RCW 28A.545.030(3) and 28A.545.050 for the~~
25 ~~school year commencing the year of the levy;~~

26 ~~(c) Except for nonhigh districts under (d) of this subsection,~~
27 ~~for districts in an interdistrict cooperative agreement, the~~
28 ~~nonresident school district's maximum levy amount shall be reduced~~
29 ~~and the resident school district's maximum levy amount shall be~~
30 ~~increased by an amount equal to the per pupil basic education~~
31 ~~allocation included in the nonresident district's levy base under~~
32 ~~subsection (3) of this section multiplied by:~~

33 ~~(i) The number of full-time equivalent students served from the~~
34 ~~resident district in the prior school year; multiplied by:~~

35 ~~(ii) The serving district's maximum levy percentage determined~~
36 ~~under subsection (4) of this section; increased by:~~

37 ~~(iii) The percent increase per full-time equivalent student as~~
38 ~~stated in the state basic education appropriation section of the~~

1 ~~biennial budget between the prior school year and the current school~~
2 ~~year divided by fifty-five percent;~~

3 ~~(d) The levy bases of nonhigh districts participating in an~~
4 ~~innovation academy cooperative established under RCW 28A.340.080~~
5 ~~shall be adjusted by the office of the superintendent of public~~
6 ~~instruction to reflect each district's proportional share of student~~
7 ~~enrollment in the cooperative;~~

8 ~~(e) The district's maximum levy amount shall be reduced by the~~
9 ~~maximum amount of state matching funds for which the district is~~
10 ~~eligible under RCW 28A.500.010.~~

11 ~~(3) For excess levies for collection in calendar year 1998 and~~
12 ~~thereafter, a district's levy base shall be the sum of allocations in~~
13 ~~(a) through (c) of this subsection received by the district for the~~
14 ~~prior school year, including allocations for compensation increases,~~
15 ~~plus the sum of such allocations multiplied by the percent increase~~
16 ~~per full time equivalent student as stated in the state basic~~
17 ~~education appropriation section of the biennial budget between the~~
18 ~~prior school year and the current school year and divided by fifty-~~
19 ~~five percent. A district's levy base shall not include local school~~
20 ~~district property tax levies or other local revenues, or state and~~
21 ~~federal allocations not identified in (a) through (c) of this~~
22 ~~subsection.~~

23 ~~(a) The district's basic education allocation as determined~~
24 ~~pursuant to RCW 28A.150.250, 28A.150.260, and 28A.150.350;~~

25 ~~(b) State and federal categorical allocations for the following~~
26 ~~programs:~~

27 ~~(i) Pupil transportation;~~

28 ~~(ii) Special education;~~

29 ~~(iii) Education of highly capable students;~~

30 ~~(iv) Compensatory education, including but not limited to~~
31 ~~learning assistance, migrant education, Indian education, refugee~~
32 ~~programs, and bilingual education;~~

33 ~~(v) Food services; and~~

34 ~~(vi) Statewide block grant programs; and~~

35 ~~(c) Any other federal allocations for elementary and secondary~~
36 ~~school programs, including direct grants, other than federal impact~~
37 ~~aid funds and allocations in lieu of taxes.~~

38 ~~(4)(a) A district's maximum levy percentage shall be twenty-four~~
39 ~~percent in 2010 and twenty-eight percent in 2011 through 2018 and~~
40 ~~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

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

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

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

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

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

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

5 Local effort assistance funding is not part of the state's
6 statutory program of basic education, nor are allocations for it part
7 of the district's basic education allocation. Beginning September 1,
8 2019, and subject to section 501 of this act, districts may use local
9 effort assistance funding only to enrich the state's statutory
10 program of basic education.

11 NEW SECTION. **Sec. 206.** A new section is added to chapter
12 28A.500 RCW to read as follows:

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

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

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

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

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

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

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

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

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

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

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

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

11 REPEALERS. (1) RCW 28A.500.020 (Definitions) and 2013 2nd sp.s. c
12 4 s 957, 2010 c 237 s 5, 2004 c 21 s 1, & 1999 c 317 s 2; and

13 (2) RCW 28A.500.030 (Allocation of state matching funds—
14 Determination) and 2010 c 237 s 6, 2006 c 372 s 904, 2006 c 119 s 1,
15 2005 c 518 s 914, 2003 1st sp.s. c 25 s 912, 2002 c 317 s 4, & 1999 c
16 317 s 3.

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

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

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

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

8 NEW SECTION. **Sec. 209.** Section 202 of this act expires January
9 1, 2019.

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

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

14 NEW SECTION. **Sec. 212.** Section 202 of this act is necessary for
15 the immediate preservation of the public peace, health, or safety, or
16 support of the state government and its existing public institutions,
17 and takes effect immediately.

18 **PART III**
19 **STATE PROPERTY TAX REVISIONS**

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

22 STATE PROPERTY TAX. (1) Except as otherwise provided in this
23 section, subject to the limitations in RCW 84.55.010, in each year
24 the state shall levy for collection in the following year for the
25 support of common schools of the state a tax of three dollars and
26 sixty cents per thousand dollars of assessed value upon the assessed
27 valuation of all taxable property within the state adjusted to the
28 state equalized value in accordance with the indicated ratio fixed by
29 the state department of revenue.

30 (2)(a) In addition to the tax authorized under subsection (1) of
31 this section, the state must levy an additional property tax for the
32 support of common schools of the state.

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

1 aggregate rate for state property tax levies levied under this
2 subsection and subsection (1) of this section to a combined rate of
3 two dollars and seventy cents per thousand dollars of assessed value
4 upon the assessed valuation of all taxable property within the state
5 adjusted to the state equalized value in accordance with the
6 indicated ratio fixed by the state department of revenue.

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

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

12 (3) For taxes levied for collection in calendar years 2019
13 through 2021, the state property taxes levied under subsections (1)
14 and (2) of this section are not subject to the limitations in chapter
15 84.55 RCW.

16 (4) For taxes levied for collection in calendar year 2022 and
17 thereafter, the aggregate rate limit for state property taxes levied
18 under subsections (1) and (2) of this section is three dollars and
19 sixty cents per thousand dollars of assessed value upon the assessed
20 valuation of all taxable property within the state adjusted to the
21 state equalized value in accordance with the indicated ratio fixed by
22 the state department of revenue.

23 (5) For property taxes levied for collection in calendar years
24 2019 through 2021, the rate of tax levied under subsection (1) of
25 this section is the actual rate that was levied for collection in
26 calendar year 2018 under subsection (1) of this section.

27 (6) As used in this section, "the support of common schools"
28 includes the payment of the principal and interest on bonds issued
29 for capital construction projects for the common schools.

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

32 STATE PROPERTY TAX AND GROWTH LIMIT. (1) Except as provided in
33 this chapter, the levy for a taxing district in any year must be set
34 so that the regular property taxes payable in the following year
35 ~~((does [do]))~~ do not exceed the limit factor multiplied by the amount
36 of regular property taxes lawfully levied for such district in the
37 highest of the three most recent years in which such taxes were
38 levied for such district plus an additional dollar amount calculated
39 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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

37 (1) For the purpose of funding a property tax refund paid under
38 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;

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

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

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

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

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

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

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

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

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

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

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

1 (16) Abated under RCW 84.70.010.

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

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

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

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

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

39 (a) The residence is temporarily unoccupied;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

16 (3) A claim for exemption under this section must be filed with
17 the county assessor together with the statement required under RCW
18 84.40.190, for exemption from taxes payable the following year. The
19 claim must be made solely upon forms as prescribed and furnished by
20 the department of revenue.

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

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

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

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

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

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

1 (1) Any moneys derived from the lease of state forestlands or
2 from the sale of valuable materials, oils, gases, coal, minerals, or
3 fossils from those lands, except as provided in RCW 79.64.---
4 (section 3, chapter 248, Laws of 2017), or the appraised value of
5 these resources when transferred to a public agency under RCW
6 79.22.060, except as provided in RCW 79.22.060(4), must be
7 distributed as follows:

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

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

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

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

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

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

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

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

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

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

20 NEW SECTION. **Sec. 316.** APPLICATION OF RCW 82.32.805 AND
21 82.32.808. RCW 82.32.805 and 82.32.808 do not apply to sections 301
22 through 314, chapter . . . , Laws of 2017 3rd sp. sess. (sections 301
23 through 314 of this act).

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

27 NEW SECTION. **Sec. 318.** Section 303 of this act expires January
28 1, 2018.

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

31 **PART IV**
32 **PROGRAM OF BASIC EDUCATION**

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

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

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

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

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

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

29 (d) Transportation and transportation services to and from school
30 for eligible students as provided under RCW 28A.160.150 through
31 28A.160.180; and

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

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

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

1 the minimum instructional program of basic education under RCW
2 28A.150.220. The allocation shall be determined as follows:

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

7 (2)(a) The distribution formula under this section shall be for
8 allocation purposes only. Except as may be required under subsections
9 (4)(b) and (c) and (9) of this section, chapter 28A.155, 28A.165,
10 28A.180, or 28A.185 RCW, or federal laws and regulations, nothing in
11 this section requires school districts to use basic education
12 instructional funds to implement a particular instructional approach
13 or service. Nothing in this section requires school districts to
14 maintain a particular classroom teacher-to-student ratio or other
15 staff-to-student ratio or to use allocated funds to pay for
16 particular types or classifications of staff. Nothing in this section
17 entitles an individual teacher to a particular teacher planning
18 period.

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

34 (3)(a) To the extent the technical details of the formula have
35 been adopted by the legislature and except when specifically provided
36 as a school district allocation, the distribution formula for the
37 basic education instructional allocation shall be based on minimum
38 staffing and nonstaff costs the legislature deems necessary to
39 support instruction and operations in prototypical schools serving
40 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)) <u>23.00</u>
Skill center programs meeting the standards established by the office of the superintendent of public instruction.	((22.76)) <u>20.00</u>

(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)) <u>1.216</u>	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)) <u>0.0825</u>	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
EHB 2242.SL

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

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

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

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

18		Per annual average
19		full-time equivalent student
20		in grades K-12
21	Technology.	\$54.43
22	Utilities and insurance.	\$147.90
23	Curriculum and textbooks.	\$58.44
24	Other supplies and library materials.	\$124.07
25	Instructional professional development for certified and	
26	classified staff.	\$9.04
27	Facilities maintenance.	\$73.27
28	Security and central office.	\$50.76

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

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

1	Technology.	((\$113.80))	<u>\$130.76</u>
2	Utilities and insurance.	((\$309.21))	<u>\$355.30</u>
3	Curriculum and textbooks.	((\$122.17))	<u>\$140.39</u>
4	Other supplies and library materials.	((\$259.39))	<u>\$298.05</u>
5	Instructional professional development for certificated and		
6	classified staff.	((\$18.89))	<u>\$21.71</u>
7	Facilities maintenance.	((\$153.18))	<u>\$176.01</u>
8	Security and central office administration.	((\$106.12))	<u>\$121.94</u>

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

15		Per annual average	
16		full-time equivalent student	
17		in grades 9-12	
18	Technology.		\$36.35
19	Curriculum and textbooks.		\$39.02
20	Other supplies and library materials.		\$82.84
21	Instructional professional development for certificated and		
22	classified staff.		\$6.04

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

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

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

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

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

36 (a)(i) To provide supplemental instruction and services for
37 (~~underachieving~~) students who are not meeting academic standards
38 through the learning assistance program under RCW 28A.165.005 through
39 28A.165.065, allocations shall be based on the district percentage of

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

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

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

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

1 28A.180.040(1)(g). The minimum allocation for each prototypical
2 school shall provide resources to provide, on a statewide average,
3 3.0 hours per week in extra instruction with fifteen exited students
4 per teacher.

5 (c) To provide additional allocations to support programs for
6 highly capable students under RCW 28A.185.010 through 28A.185.030,
7 allocations shall be based on (~~two and three hundred fourteen one-~~
8 ~~thousandths~~) 5.0 percent of each school district's full-time
9 equivalent basic education enrollment. The minimum allocation for the
10 programs shall provide resources to provide, on a statewide average,
11 2.1590 hours per week in extra instruction with fifteen highly
12 capable program students per teacher.

13 (11) The allocations under subsections (4)(a) (~~and (b)~~), (5),
14 (6), and (8) of this section shall be enhanced as provided under RCW
15 28A.150.390 on an excess cost basis to provide supplemental
16 instructional resources for students with disabilities.

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

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

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

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

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

1 28A.335.160 and 28A.225.250 who do not reside within the servicing
2 school district. The definition of full-time equivalent student shall
3 be determined by rules of the superintendent of public instruction
4 and shall be included as part of the superintendent's biennial budget
5 request. The definition shall be based on the minimum instructional
6 hour offerings required under RCW 28A.150.220. Any revision of the
7 present definition shall not take effect until approved by the house
8 ways and means committee and the senate ways and means committee.

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

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

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

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

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

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

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

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

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

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

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

10 HIGH POVERTY-BASED LAP ALLOCATION. (1) The funds for the learning
11 assistance program shall be appropriated in accordance with RCW
12 28A.150.260 and the omnibus appropriations act. The distribution
13 formula is for school district allocation purposes only, except as
14 provided in RCW 28A.150.260(10)(a)(ii), but all funds appropriated
15 for the learning assistance program must be expended for the purposes
16 of RCW 28A.165.005 through 28A.165.065 ((and 28A.655.235)).

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

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

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

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

35 (a) A district's annual average headcount enrollment of students
36 ages birth through four and those five year olds not yet enrolled in
37 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:

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

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

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

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

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

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

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

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

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

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

20 ~~((3))~~ (4) On an annual basis, the superintendent shall survey
21 districts regarding their satisfaction with the safety net process
22 and consider feedback from districts to improve the safety net
23 process. Each year by December 1st, the superintendent shall prepare
24 and submit a report to the office of financial management and the
25 appropriate policy and fiscal committees of the legislature that
26 summarizes the survey results and those changes made to the safety
27 net process as a result of the school district feedback.

28 ~~((4))~~ (5) The safety net oversight committee appointed by the
29 superintendent of public instruction shall consist of:

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

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

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

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

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

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

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

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

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

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

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

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

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

33 (5) This section expires August 1, 2019.

34 NEW SECTION. **Sec. 409.** A new section is added to chapter
35 28A.150 RCW to read as follows:

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

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

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

5 (b) Materials, supplies, and operating costs;

6 (c) Smaller class sizes;

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

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

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

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

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

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

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

32 NEW SECTION. **Sec. 410.** A new section is added to chapter
33 28A.300 RCW to read as follows:

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

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

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

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

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

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

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

30 NEW SECTION. **Sec. 411.** A new section is added to chapter
31 28A.300 RCW to read as follows:

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

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

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

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

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

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

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

30 INTENT—BASIC EDUCATION. It is the intent of the legislature that
31 specified policies and allocation formulas adopted under this (~~act~~)
32 chapter will constitute the legislature's definition of basic
33 education under Article IX of the state Constitution once fully
34 implemented. The legislature intends, however, to continue to review
35 and revise the formulas and schedules and may make additional
36 revisions, including revisions for technical purposes and consistency
37 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

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

3 NEW SECTION. **Sec. 505.** A new section is added to chapter
4 28A.400 RCW to read as follows:

5 SCHOOL DISTRICT REPORTS TO THE OFFICE OF THE SUPERINTENDENT OF
6 PUBLIC INSTRUCTION ON SUPPLEMENTAL CONTRACTS. Beginning September 1,
7 2017, school districts must annually report to the superintendent of
8 public instruction on supplemental contracts entered into subject to
9 RCW 28A.400.200(4) for additional time, responsibility, or incentive.
10 The office of the superintendent of public instruction shall
11 summarize the district information and submit an annual report to the
12 education and appropriate fiscal committees of the house of
13 representatives and the senate.

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

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

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

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

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

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

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

5 (b) Instruction that provides students the opportunity to
6 complete twenty-four credits for high school graduation, beginning
7 with the graduating class of 2019 or as otherwise provided in RCW
8 28A.230.090. Course distribution requirements may be established by
9 the state board of education under RCW 28A.230.090;

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

14 (d) Supplemental instruction and services for ((underachieving))
15 students who are not meeting academic standards through the learning
16 assistance program under RCW 28A.165.005 through 28A.165.065;

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

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

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

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

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

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

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

3 (c) In the case of students who are graduating from high school,
4 a school district may schedule the last five school days of the one
5 hundred eighty day school year for noninstructional purposes
6 including, but not limited to, the observance of graduation and early
7 release from school upon the request of a student. All such students
8 may be claimed as a full-time equivalent student to the extent they
9 could otherwise have been so claimed for the purposes of RCW
10 28A.150.250 and 28A.150.260. Any hours scheduled by a school district
11 for noninstructional purposes during the last five school days for
12 such students shall count toward the instructional hours requirement
13 in subsection (2)(a) of this section.

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

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

25 PART VI

26 REPORTING, ACCOUNTING, AND TRANSPARENCY

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

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

32 (1)(a) A general fund for ~~((maintenance and operation of))~~ the
33 school district to account for all financial operations of the school
34 district except those required to be accounted for in another fund.

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

1 and transportation vehicle enrichment levies collected under RCW
2 84.52.053, local effort assistance funding received under chapter
3 28A.500 RCW, and other school district local revenues including, but
4 not limited to, grants, donations, and state and federal payments in
5 lieu of taxes, but do not include other federal revenues, or local
6 revenues that operate as an offset to the district's basic education
7 allocation under RCW 28A.150.250. School districts must track
8 expenditures from this subfund separately to account for the
9 expenditure of each of these streams of revenue by source, and must
10 provide any supplemental expenditure schedules required by the
11 superintendent of public instruction or state auditor for purposes of
12 section 503 of this act.

13 (2) A capital projects fund shall be established for major
14 capital purposes. All statutory references to a "building fund" shall
15 mean the capital projects fund so established. Money to be deposited
16 into the capital projects fund shall include, but not be limited to,
17 bond proceeds, proceeds from excess levies authorized by RCW
18 84.52.053, state apportionment proceeds as authorized by RCW
19 28A.150.270, earnings from capital projects fund investments as
20 authorized by RCW 28A.320.310 and 28A.320.320, and state forest
21 revenues transferred pursuant to subsection (3) of this section.

22 Money derived from the sale of bonds, including interest earnings
23 thereof, may only be used for those purposes described in RCW
24 28A.530.010, except that accrued interest paid for bonds shall be
25 deposited in the debt service fund.

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

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

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

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

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

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

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

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

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

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

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

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

1 guidelines for these transfers in accordance with internal revenue
2 service regulations.

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

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

21 (4) An associated student body fund as authorized by RCW
22 28A.325.030.

23 (5) Advance refunding bond funds and refunded bond funds to
24 provide for the proceeds and disbursements as authorized in chapter
25 39.53 RCW.

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

28 SCHOOL DISTRICT REVENUE TO EXPENDITURE ACCOUNTING. (1)
29 Notwithstanding any other provision of law, the superintendent of
30 public instruction shall adopt such rules as will ensure proper
31 budgetary procedures and practices, including monthly financial
32 statements consistent with the provisions of RCW 43.09.200, and this
33 chapter. By the 2019-20 school year, the rules must require school
34 districts to provide separate accounting of state and local revenues
35 to expenditures.

36 (2) If the superintendent of public instruction determines upon a
37 review of the budget of any district that said budget does not comply
38 with the budget procedures established by this chapter or by rules
39 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

1 salary under each budget class upon request. Salary schedules shall
2 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)) is attached to the
7 budget on such restriction of fund balance.

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

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

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

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

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

36 (c) The office of the superintendent of public instruction shall
37 consider the information provided under (b) of this subsection when
38 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

1 budget separately, and shall by resolution adopt the budget, the
2 four-year budget plan summary, and the four-year enrollment
3 projection and the appropriations as so finally determined, and enter
4 the same in the official minutes of the board: PROVIDED, That first-
5 class school districts shall file copies of their adopted budget with
6 their educational service district no later than September 3rd, and
7 second-class school districts shall forward copies of their adopted
8 budget to their educational service district no later than August 3rd
9 for review, alteration and approval as provided for in RCW
10 28A.505.070 by the budget review committee.

11 ****NEW SECTION. Sec. 607. CASELOAD FORECAST COUNCIL TECHNICAL***
12 ***WORKING GROUP TO ASSIST WITH SCHOOL DISTRICT FOUR-YEAR BUDGET PLANS.***

13 ***(1) To assist school districts to accurately determine the district's***
14 ***four-year budget plan required under RCW 28A.505.040, the caseload***
15 ***forecast council shall convene a technical working group with at***
16 ***least one representative from the council's staff, school district***
17 ***business officers, the office of the superintendent of public***
18 ***instruction, and educational service districts.***

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

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

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

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

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

37 ***(ii) The potential statistical methodologies that could inform a***
38 ***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

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

13 (2) This section expires August 31, 2019.

14 NEW SECTION. **Sec. 703.** A new section is added to chapter
15 28A.400 RCW to read as follows:

16 RESTRICTIONS ON CAS SALARY INCREASES DURING TRANSITIONAL PERIOD.

17 (1) A school district may not provide any school district
18 certificated administrative staff with a percentage increase to total
19 salary for the 2018-19 school year, including supplemental contracts,
20 that exceeds the previous calendar year's annual average consumer
21 price index, using the official current base compiled by the bureau
22 of labor statistics, United States department of labor, for the city
23 of Seattle. However, if a district's average certificated
24 administrative staff salary is less than the average certificated
25 administrative salary allocated by the state for that year, the
26 district may increase salaries not to exceed the point where the
27 district's average certificated administrative staff salary equals
28 the average certificated administrative staff salary allocated by the
29 state.

30 (2) This section expires August 31, 2019.

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

33 EFFECT ON COLLECTIVE BARGAINING AGREEMENTS. Nothing in
34 chapter . . ., Laws of 2017 3rd sp. sess. (this act) is intended to
35 alter or impair school district collective bargaining agreements that
36 are in effect on the effective date of this section. Any school
37 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:

1 (a) Two members from associations representing certificated
2 employees;

3 (b) Two members from associations representing classified
4 employees;

5 (c) Four members with expertise in employee health benefits
6 policy and administration, one of which is nominated by an
7 association representing school business officials; and

8 (d) The director of the authority or his or her designee.

9 (3) Initial members of the board shall serve staggered terms not
10 to exceed four years. Members appointed thereafter shall serve two-
11 year terms.

12 (4) Members of the board must be compensated in accordance with
13 RCW 43.03.250 and must be reimbursed for their travel expenses while
14 on official business in accordance with RCW 43.03.050 and 43.03.060.

15 (5) The director of the authority or his or her designee shall be
16 the chair and another member shall be selected by the board as vice
17 chair. The chair shall conduct meetings of the board. The vice chair
18 shall preside over meetings in the absence of the chair. The board
19 shall develop bylaws for the conduct of its business.

20 (6) The board shall:

21 (a) Study all matters connected with the provision of health care
22 coverage, life insurance, liability insurance, accidental death and
23 dismemberment, and disability insurance, or any of, or combination
24 of, the enumerated types of insurance for eligible employees and
25 their dependents on the best basis possible with relation both to the
26 welfare of the employees and the state. However, liability insurance
27 should not be made available to dependents;

28 (b) Develop employee benefit plans that include comprehensive,
29 evidence-based health care benefits for employees. In developing
30 these plans, the board shall consider the following elements:

31 (i) Methods of maximizing cost containment while ensuring access
32 to quality health care;

33 (ii) Development of provider arrangements that encourage cost
34 containment and ensure access to quality care including, but not
35 limited to, prepaid delivery systems and prospective payment methods;

36 (iii) Wellness, preventive care, chronic disease management, and
37 other incentives that focus on proven strategies;

38 (iv) Utilization review procedures to support cost-effective
39 benefits delivery;

1 (v) Ways to leverage efficient purchasing by coordinating with
2 the public employees' benefits board;

3 (vi) Effective coordination of benefits; and

4 (vii) Minimum standards for insuring entities;

5 (c) Authorize premium contributions for an employee and the
6 employee's dependents in a manner that encourages the use of cost-
7 efficient health care systems. For participating employees, the
8 required employee share of the cost for family coverage under a plan
9 may not exceed the required employee share of the cost for employee-
10 only coverage;

11 (d) Determine the terms and conditions of employee and dependent
12 eligibility criteria, enrollment policies, and scope of coverage. At
13 a minimum, the eligibility criteria established by the board shall
14 address the following:

15 (i) The effective date of coverage following hire;

16 (ii) An employee must work at least six hundred thirty hours per
17 year to qualify for coverage; and

18 (iii) Coverage for dependents, including criteria for legal
19 spouses; children up to age twenty-six; children of any age with
20 disabilities, mental illness, or intellectual or other developmental
21 disabilities; and state registered domestic partners, as defined in
22 RCW 26.60.020, and others authorized by the legislature;

23 (e) Determine the terms and conditions of purchasing system
24 participation, consistent with chapter . . . , Laws of 2017 3rd sp.
25 sess. (this act), including establishment of criteria for employing
26 districts and individual employees;

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

29 (g) Participate with the authority in the preparation of
30 specifications and selection of carriers contracted for employee
31 benefit plan coverage of eligible employees in accordance with the
32 criteria set forth in rules. To the extent possible, the board shall
33 leverage efficient purchasing by coordinating with the public
34 employees' benefits board.

35 (7) By November 30, 2021, the authority shall review the benefit
36 plans provided through the school employees' benefits board, complete
37 an analysis of the benefits provided and the administration of the
38 benefits plans, and determine whether provisions in chapter . . . ,
39 Laws of 2017 3rd sp. sess. (this act) have resulted in cost savings
40 to the state. The authority shall submit a report to the relevant

1 legislative policy and fiscal committees summarizing the results of
2 the review and analysis.

3 **Sec. 802.** RCW 41.05.011 and 2016 c 241 s 136 and 2016 c 67 s 2
4 are each reenacted and amended to read as follows:

5 SEBB—DEFINITIONS. The definitions in this section apply
6 throughout this chapter unless the context clearly requires
7 otherwise.

8 (1) "Authority" means the Washington state health care authority.

9 (2) "Board" means the public employees' benefits board
10 established under RCW 41.05.055.

11 (3) "Dependent care assistance program" means a benefit plan
12 whereby state (~~and public~~) employees may pay for certain employment
13 related dependent care with pretax dollars as provided in the salary
14 reduction plan under this chapter pursuant to 26 U.S.C. Sec. 129 or
15 other sections of the internal revenue code.

16 (4) "Director" means the director of the authority.

17 (5) "Emergency service personnel killed in the line of duty"
18 means law enforcement officers and firefighters as defined in RCW
19 41.26.030, members of the Washington state patrol retirement fund as
20 defined in RCW 43.43.120, and reserve officers and firefighters as
21 defined in RCW 41.24.010 who die as a result of injuries sustained in
22 the course of employment as determined consistent with Title 51 RCW
23 by the department of labor and industries.

24 (6)(a) "Employee" for the public employees' benefits board
25 program includes all employees of the state, whether or not covered
26 by civil service; elected and appointed officials of the executive
27 branch of government, including full-time members of boards,
28 commissions, or committees; justices of the supreme court and judges
29 of the court of appeals and the superior courts; and members of the
30 state legislature. Pursuant to contractual agreement with the
31 authority, "employee" may also include: (~~((a))~~) (i) Employees of a
32 county, municipality, or other political subdivision of the state and
33 members of the legislative authority of any county, city, or town who
34 are elected to office after February 20, 1970, if the legislative
35 authority of the county, municipality, or other political subdivision
36 of the state submits application materials to the authority to
37 provide any of its insurance programs by contract with the authority,
38 as provided in RCW 41.04.205 and 41.05.021(1)(g); (~~((b))~~) (ii)
39 employees of employee organizations representing state civil service

1 employees, at the option of each such employee organization(~~(, and,~~
2 ~~effective October 1, 1995, employees of employee organizations~~
3 ~~currently pooled with employees of school districts for the purpose~~
4 ~~of purchasing insurance benefits, at the option of each such employee~~
5 ~~organization; (c))~~); (iii) through December 31, 2019, employees of a
6 school district if the authority agrees to provide any of the school
7 districts' insurance programs by contract with the authority as
8 provided in RCW 28A.400.350; (~~((d))~~) (iv) employees of a tribal
9 government, if the governing body of the tribal government seeks and
10 receives the approval of the authority to provide any of its
11 insurance programs by contract with the authority, as provided in RCW
12 41.05.021(1) (f) and (g); (~~((e))~~) (v) employees of the Washington
13 health benefit exchange if the governing board of the exchange
14 established in RCW 43.71.020 seeks and receives approval of the
15 authority to provide any of its insurance programs by contract with
16 the authority, as provided in RCW 41.05.021(1) (g) and (n); and
17 (~~((f))~~) (vi) through December 31, 2019, employees of a charter school
18 established under chapter 28A.710 RCW. "Employee" does not include:
19 Adult family home providers; unpaid volunteers; patients of state
20 hospitals; inmates; employees of the Washington state convention and
21 trade center as provided in RCW 41.05.110; students of institutions
22 of higher education as determined by their institution; and any
23 others not expressly defined as employees under this chapter or by
24 the authority under this chapter.

25 (b) Effective January 1, 2020, "employee" for the school
26 employees' benefits board program includes all employees of school
27 districts, educational service districts, and charter schools
28 established under chapter 28A.710 RCW.

29 (7) "Employee group" means employees of a similar employment
30 type, such as administrative, represented classified, nonrepresented
31 classified, confidential, represented certificated, or nonrepresented
32 certificated, within a school district.

33 (8)(a) "Employer" for the public employees' benefits board
34 program means the state of Washington.

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

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

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

4 ~~((9))~~ (10)(a) "Employing agency" for the public employees'
5 benefits board program means a division, department, or separate
6 agency of state government, including an institution of higher
7 education; a county, municipality, ~~((school district, educational~~
8 ~~service district,))~~ or other political subdivision; charter school;
9 and a tribal government covered by this chapter.

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

13 (11) "Faculty" means an academic employee of an institution of
14 higher education whose workload is not defined by work hours but
15 whose appointment, workload, and duties directly serve the
16 institution's academic mission, as determined under the authority of
17 its enabling statutes, its governing body, and any applicable
18 collective bargaining agreement.

19 ~~((11))~~ (12) "Flexible benefit plan" means a benefit plan that
20 allows employees to choose the level of health care coverage provided
21 and the amount of employee contributions from among a range of
22 choices offered by the authority.

23 ~~((12))~~ (13) "Insuring entity" means an insurer as defined in
24 chapter 48.01 RCW, a health care service contractor as defined in
25 chapter 48.44 RCW, or a health maintenance organization as defined in
26 chapter 48.46 RCW.

27 ~~((13))~~ (14) "Medical flexible spending arrangement" means a
28 benefit plan whereby state ~~((and public))~~ employees may reduce their
29 salary before taxes to pay for medical expenses not reimbursed by
30 insurance as provided in the salary reduction plan under this chapter
31 pursuant to 26 U.S.C. Sec. 125 or other sections of the internal
32 revenue code.

33 ~~((14))~~ (15) "Participant" means an individual who fulfills the
34 eligibility and enrollment requirements under the salary reduction
35 plan.

36 ~~((15))~~ (16) "Plan year" means the time period established by
37 the authority.

38 ~~((16))~~ (17) "Premium payment plan" means a benefit plan whereby
39 state and public employees may pay their share of group health plan
40 premiums with pretax dollars as provided in the salary reduction plan

1 under this chapter pursuant to 26 U.S.C. Sec. 125 or other sections
2 of the internal revenue code.

3 ~~((17))~~ (18) "Retired or disabled school employee" means:

4 (a) Persons who separated from employment with a school district
5 or educational service district and are receiving a retirement
6 allowance under chapter 41.32 or 41.40 RCW as of September 30, 1993;

7 (b) Persons who separate from employment with a school district,
8 educational service district, or charter school on or after October
9 1, 1993, and immediately upon separation receive a retirement
10 allowance under chapter 41.32, 41.35, or 41.40 RCW;

11 (c) Persons who separate from employment with a school district,
12 educational service district, or charter school due to a total and
13 permanent disability, and are eligible to receive a deferred
14 retirement allowance under chapter 41.32, 41.35, or 41.40 RCW.

15 ~~((18))~~ (19) "Salary" means a state employee's monthly salary or
16 wages.

17 ~~((19))~~ (20) "Salary reduction plan" means a benefit plan
18 whereby state and public employees may agree to a reduction of salary
19 on a pretax basis to participate in the dependent care assistance
20 program, medical flexible spending arrangement, or premium payment
21 plan offered pursuant to 26 U.S.C. Sec. 125 or other sections of the
22 internal revenue code.

23 ~~((20))~~ (21) "School employees' benefits board" means the board
24 established in section 801 of this act.

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

30 (23) "Seasonal employee" means ~~((an))~~ a state employee hired to
31 work during a recurring, annual season with a duration of three
32 months or more, and anticipated to return each season to perform
33 similar work.

34 ~~((21))~~ (24) "Separated employees" means persons who separate
35 from employment with an employer as defined in:

36 (a) RCW 41.32.010(17) on or after July 1, 1996; or

37 (b) RCW 41.35.010 on or after September 1, 2000; or

38 (c) RCW 41.40.010 on or after March 1, 2002;

39 and who are at least age fifty-five and have at least ten years of
40 service under the teachers' retirement system plan 3 as defined in

1 RCW 41.32.010(33), the Washington school employees' retirement system
2 plan 3 as defined in RCW 41.35.010, or the public employees'
3 retirement system plan 3 as defined in RCW 41.40.010.

4 ~~((22))~~ (25) "State purchased health care" or "health care"
5 means medical and health care, pharmaceuticals, and medical equipment
6 purchased with state and federal funds by the department of social
7 and health services, the department of health, the basic health plan,
8 the state health care authority, the department of labor and
9 industries, the department of corrections, the department of veterans
10 affairs, and local school districts.

11 ~~((23))~~ (26) "Tribal government" means an Indian tribal
12 government as defined in section 3(32) of the employee retirement
13 income security act of 1974, as amended, or an agency or
14 instrumentality of the tribal government, that has government offices
15 principally located in this state.

16 **Sec. 803.** RCW 41.05.021 and 2012 c 87 s 23 are each amended to
17 read as follows:

18 SEBB IMPLEMENTATION. (1) The Washington state health care
19 authority is created within the executive branch. The authority shall
20 have a director appointed by the governor, with the consent of the
21 senate. The director shall serve at the pleasure of the governor. The
22 director may employ a deputy director, and such assistant directors
23 and special assistants as may be needed to administer the authority,
24 who shall be exempt from chapter 41.06 RCW, and any additional staff
25 members as are necessary to administer this chapter. The director may
26 delegate any power or duty vested in him or her by law, including
27 authority to make final decisions and enter final orders in hearings
28 conducted under chapter 34.05 RCW. The primary duties of the
29 authority shall be to: Administer ~~((state employees'))~~ insurance
30 benefits ~~((and))~~ for state employees, retired or disabled state and
31 school employees, and subject to school employees' benefits board
32 direction, school employees~~((insurance benefits))~~; administer the
33 basic health plan pursuant to chapter 70.47 RCW; administer the
34 children's health program pursuant to chapter 74.09 RCW; study state
35 purchased health care programs in order to maximize cost containment
36 in these programs while ensuring access to quality health care;
37 implement state initiatives, joint purchasing strategies, and
38 techniques for efficient administration that have potential
39 application to all state-purchased health services; and administer

1 grants that further the mission and goals of the authority. The
2 authority's duties include, but are not limited to, the following:

3 (a) To administer health care benefit programs for state
4 employees ((and)), retired or disabled state and school employees,
5 and subject to school employees' benefits board direction, school
6 employees as specifically authorized in RCW 41.05.065 and section 801
7 of this act and in accordance with the methods described in RCW
8 41.05.075, 41.05.140, and other provisions of this chapter;

9 (b) To analyze state purchased health care programs and to
10 explore options for cost containment and delivery alternatives for
11 those programs that are consistent with the purposes of those
12 programs, including, but not limited to:

13 (i) Creation of economic incentives for the persons for whom the
14 state purchases health care to appropriately utilize and purchase
15 health care services, including the development of flexible benefit
16 plans to offset increases in individual financial responsibility;

17 (ii) Utilization of provider arrangements that encourage cost
18 containment, including but not limited to prepaid delivery systems,
19 utilization review, and prospective payment methods, and that ensure
20 access to quality care, including assuring reasonable access to local
21 providers, especially for employees residing in rural areas;

22 (iii) Coordination of state agency efforts to purchase drugs
23 effectively as provided in RCW 70.14.050;

24 (iv) Development of recommendations and methods for purchasing
25 medical equipment and supporting services on a volume discount basis;

26 (v) Development of data systems to obtain utilization data from
27 state purchased health care programs in order to identify cost
28 centers, utilization patterns, provider and hospital practice
29 patterns, and procedure costs, utilizing the information obtained
30 pursuant to RCW 41.05.031; and

31 (vi) In collaboration with other state agencies that administer
32 state purchased health care programs, private health care purchasers,
33 health care facilities, providers, and carriers:

34 (A) Use evidence-based medicine principles to develop common
35 performance measures and implement financial incentives in contracts
36 with insuring entities, health care facilities, and providers that:

37 (I) Reward improvements in health outcomes for individuals with
38 chronic diseases, increased utilization of appropriate preventive
39 health services, and reductions in medical errors; and

1 (II) Increase, through appropriate incentives to insuring
2 entities, health care facilities, and providers, the adoption and use
3 of information technology that contributes to improved health
4 outcomes, better coordination of care, and decreased medical errors;

5 (B) Through state health purchasing, reimbursement, or pilot
6 strategies, promote and increase the adoption of health information
7 technology systems, including electronic medical records, by
8 hospitals as defined in RCW 70.41.020(~~((4)))~~), integrated delivery
9 systems, and providers that:

10 (I) Facilitate diagnosis or treatment;
11 (II) Reduce unnecessary duplication of medical tests;
12 (III) Promote efficient electronic physician order entry;
13 (IV) Increase access to health information for consumers and
14 their providers; and

15 (V) Improve health outcomes;
16 (C) Coordinate a strategy for the adoption of health information
17 technology systems using the final health information technology
18 report and recommendations developed under chapter 261, Laws of 2005;

19 (c) To analyze areas of public and private health care
20 interaction;

21 (d) To provide information and technical and administrative
22 assistance to the board and the school employees' benefits board;

23 (e) To review and approve or deny applications from counties,
24 municipalities, and other political subdivisions of the state to
25 provide state-sponsored insurance or self-insurance programs to their
26 employees in accordance with the provisions of RCW 41.04.205 and (g)
27 of this subsection, setting the premium contribution for approved
28 groups as outlined in RCW 41.05.050;

29 (f) To review and approve or deny the application when the
30 governing body of a tribal government applies to transfer their
31 employees to an insurance or self-insurance program administered
32 under this chapter. In the event of an employee transfer pursuant to
33 this subsection (1)(f), members of the governing body are eligible to
34 be included in such a transfer if the members are authorized by the
35 tribal government to participate in the insurance program being
36 transferred from and subject to payment by the members of all costs
37 of insurance for the members. The authority shall: (i) Establish the
38 conditions for participation; (ii) have the sole right to reject the
39 application; and (iii) set the premium contribution for approved
40 groups as outlined in RCW 41.05.050. Approval of the application by

1 the authority transfers the employees and dependents involved to the
2 insurance, self-insurance, or health care program approved by the
3 authority;

4 (g) To ensure the continued status of the employee insurance or
5 self-insurance programs administered under this chapter as a
6 governmental plan under section 3(32) of the employee retirement
7 income security act of 1974, as amended, the authority shall limit
8 the participation of employees of a county, municipal, school
9 district, educational service district, or other political
10 subdivision, the Washington health benefit exchange, or a tribal
11 government, including providing for the participation of those
12 employees whose services are substantially all in the performance of
13 essential governmental functions, but not in the performance of
14 commercial activities;

15 (h) To establish billing procedures and collect funds from school
16 districts in a way that minimizes the administrative burden on
17 districts;

18 (i) Through December 31, 2019, to publish and distribute to
19 nonparticipating school districts and educational service districts
20 by October 1st of each year a description of health care benefit
21 plans available through the authority and the estimated cost if
22 school districts and educational service district employees were
23 enrolled;

24 (j) To apply for, receive, and accept grants, gifts, and other
25 payments, including property and service, from any governmental or
26 other public or private entity or person, and make arrangements as to
27 the use of these receipts to implement initiatives and strategies
28 developed under this section;

29 (k) To issue, distribute, and administer grants that further the
30 mission and goals of the authority;

31 (l) To adopt rules consistent with this chapter as described in
32 RCW 41.05.160 including, but not limited to:

33 (i) Setting forth the criteria established by the board under RCW
34 41.05.065, and by the school employees' benefits board under section
35 801 of this act, for determining whether an employee is eligible for
36 benefits;

37 (ii) Establishing an appeal process in accordance with chapter
38 34.05 RCW by which an employee may appeal an eligibility
39 determination;

1 (iii) Establishing a process to assure that the eligibility
2 determinations of an employing agency comply with the criteria under
3 this chapter, including the imposition of penalties as may be
4 authorized by the board or the school employees' benefits board;

5 (m)(i) To administer the medical services programs established
6 under chapter 74.09 RCW as the designated single state agency for
7 purposes of Title XIX of the federal social security act;

8 (ii) To administer the state children's health insurance program
9 under chapter 74.09 RCW for purposes of Title XXI of the federal
10 social security act;

11 (iii) To enter into agreements with the department of social and
12 health services for administration of medical care services programs
13 under Titles XIX and XXI of the social security act. The agreements
14 shall establish the division of responsibilities between the
15 authority and the department with respect to mental health, chemical
16 dependency, and long-term care services, including services for
17 persons with developmental disabilities. The agreements shall be
18 revised as necessary, to comply with the final implementation plan
19 adopted under section 116, chapter 15, Laws of 2011 1st sp. sess.;

20 (iv) To adopt rules to carry out the purposes of chapter 74.09
21 RCW;

22 (v) To appoint such advisory committees or councils as may be
23 required by any federal statute or regulation as a condition to the
24 receipt of federal funds by the authority. The director may appoint
25 statewide committees or councils in the following subject areas: (A)
26 Health facilities; (B) children and youth services; (C) blind
27 services; (D) medical and health care; (E) drug abuse and alcoholism;
28 (F) rehabilitative services; and (G) such other subject matters as
29 are or come within the authority's responsibilities. The statewide
30 councils shall have representation from both major political parties
31 and shall have substantial consumer representation. Such committees
32 or councils shall be constituted as required by federal law or as the
33 director in his or her discretion may determine. The members of the
34 committees or councils shall hold office for three years except in
35 the case of a vacancy, in which event appointment shall be only for
36 the remainder of the unexpired term for which the vacancy occurs. No
37 member shall serve more than two consecutive terms. Members of such
38 state advisory committees or councils may be paid their travel
39 expenses in accordance with RCW 43.03.050 and 43.03.060 as now
40 existing or hereafter amended;

1 (n) To review and approve or deny the application from the
2 governing board of the Washington health benefit exchange to provide
3 state-sponsored insurance or self-insurance programs to employees of
4 the exchange. The authority shall (i) establish the conditions for
5 participation; (ii) have the sole right to reject an application; and
6 (iii) set the premium contribution for approved groups as outlined in
7 RCW 41.05.050.

8 (2) On and after January 1, 1996, the public employees' benefits
9 board and the school employees' benefits board beginning October 1,
10 2017, may implement strategies to promote managed competition among
11 employee health benefit plans. Strategies may include but are not
12 limited to:

- 13 (a) Standardizing the benefit package;
- 14 (b) Soliciting competitive bids for the benefit package;
- 15 (c) Limiting the state's contribution to a percent of the lowest
16 priced qualified plan within a geographical area;
- 17 (d) Monitoring the impact of the approach under this subsection
18 with regards to: Efficiencies in health service delivery, cost shifts
19 to subscribers, access to and choice of managed care plans statewide,
20 and quality of health services. The health care authority shall also
21 advise on the value of administering a benchmark employer-managed
22 plan to promote competition among managed care plans.

23 **Sec. 804.** RCW 41.05.022 and 1995 1st sp.s. c 6 s 3 are each
24 amended to read as follows:

25 SEBB ESTABLISHED SEPARATELY FROM PEBB. (1) The health care
26 authority is hereby designated as the single state agent for
27 purchasing health services.

28 (2) On and after January 1, 1995, at least the following state-
29 purchased health services programs shall be merged into a single,
30 community-rated risk pool: Health benefits for groups of employees of
31 school districts and educational service districts that voluntarily
32 purchase health benefits as provided in RCW 41.05.011 through
33 December 31, 2019; health benefits for state employees; health
34 benefits for eligible retired or disabled school employees not
35 eligible for parts A and B of medicare; and health benefits for
36 eligible state retirees not eligible for parts A and B of medicare.

37 (3) On and after January 1, 2020, health benefits for groups of
38 employees of school districts and educational service districts shall

1 be merged into a single, community-rated risk pool separate and
2 distinct from the pool described in subsection (2) of this section.

3 (4) By December 15, 2018, the health care authority, in
4 consultation with the public employees' benefits board and the school
5 employees' benefits board, shall submit to the appropriate committees
6 of the legislature a complete analysis of the most appropriate risk
7 pool for the retired and disabled school employees, to include at a
8 minimum an analysis of the size of the nonmedicare and medicare
9 retiree enrollment pools, the impacts on cost for state and school
10 district retirees of moving retirees from one pool to another, the
11 need for and the amount of an ongoing retiree subsidy allocation from
12 the active school employees, and the timing and suggested approach
13 for a transition from one risk pool to another.

14 (5) At a minimum, and regardless of other legislative enactments,
15 the state health services purchasing agent shall:

16 (a) Require that a public agency that provides subsidies for a
17 substantial portion of services now covered under the basic health
18 plan use uniform eligibility processes, insofar as may be possible,
19 and ensure that multiple eligibility determinations are not required;

20 (b) Require that a health care provider or a health care facility
21 that receives funds from a public program provide care to state
22 residents receiving a state subsidy who may wish to receive care from
23 them, and that an insuring entity that receives funds from a public
24 program accept enrollment from state residents receiving a state
25 subsidy who may wish to enroll with them;

26 (c) Strive to integrate purchasing for all publicly sponsored
27 health services in order to maximize the cost control potential and
28 promote the most efficient methods of financing and coordinating
29 services;

30 (d) Consult regularly with the governor, the legislature, and
31 state agency directors whose operations are affected by the
32 implementation of this section; and

33 (e) Ensure the control of benefit costs under managed competition
34 by adopting rules to prevent employers from entering into an
35 agreement with employees or employee organizations when the agreement
36 would result in increased utilization in public employees' benefits
37 board or school employee benefits board plans or reduce the expected
38 savings of managed competition.

1 **Sec. 805.** RCW 41.05.026 and 2005 c 274 s 277 are each amended to
2 read as follows:

3 SEBB CONFORMING AMENDMENTS. (1) When soliciting proposals for the
4 purpose of awarding contracts for goods or services, the
5 (~~administrator~~) director shall, upon written request by the bidder,
6 exempt from public inspection and copying such proprietary data,
7 trade secrets, or other information contained in the bidder's
8 proposal that relate to the bidder's unique methods of conducting
9 business or of determining prices or premium rates to be charged for
10 services under terms of the proposal.

11 (2) When soliciting information for the development, acquisition,
12 or implementation of state purchased health care services, the
13 (~~administrator~~) director shall, upon written request by the
14 respondent, exempt from public inspection and copying such
15 proprietary data, trade secrets, or other information submitted by
16 the respondent that relate to the respondent's unique methods of
17 conducting business, data unique to the product or services of the
18 respondent, or to determining prices or rates to be charged for
19 services.

20 (3) Actuarial formulas, statistics, cost and utilization data, or
21 other proprietary information submitted upon request of the
22 (~~administrator~~) director, board, school employees' benefits board,
23 or a technical review committee created to facilitate the
24 development, acquisition, or implementation of state purchased health
25 care under this chapter by a contracting insurer, health care service
26 contractor, health maintenance organization, vendor, or other health
27 services organization may be withheld at any time from public
28 inspection when necessary to preserve trade secrets or prevent unfair
29 competition.

30 (4) The board, school employees' benefits board, or a technical
31 review committee created to facilitate the development, acquisition,
32 or implementation of state purchased health care under this chapter,
33 may hold an executive session in accordance with chapter 42.30 RCW
34 during any regular or special meeting to discuss information
35 submitted in accordance with subsections (1) through (3) of this
36 section.

37 (5) A person who challenges a request for or designation of
38 information as exempt under this section is entitled to seek judicial
39 review pursuant to chapter 42.56 RCW.

1 **Sec. 806.** RCW 41.05.050 and 2016 c 67 s 3 are each amended to
2 read as follows:

3 SEBB PARTICIPATION. (1) Every: (a) Department, division, or
4 separate agency of state government; (b) county, municipal, school
5 district, educational service district, or other political
6 subdivisions; and (c) tribal governments as are covered by this
7 chapter, shall provide contributions to insurance and health care
8 plans for its employees and their dependents, the content of such
9 plans to be determined by the authority. Contributions, paid by the
10 county, the municipality, other political subdivision, or a tribal
11 government for their employees, shall include an amount determined by
12 the authority to pay such administrative expenses of the authority as
13 are necessary to administer the plans for employees of those groups,
14 except as provided in subsection (4) of this section.

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

19 (3) The contributions of any: (a) Department, division, or
20 separate agency of the state government; (b) county, municipal, or
21 other political subdivisions; ~~((and))~~ (c) any tribal government as
22 are covered by this chapter; and (d) school districts and educational
23 service districts, shall be set by the authority, subject to the
24 approval of the governor for availability of funds as specifically
25 appropriated by the legislature for that purpose. Insurance and
26 health care contributions for ferry employees shall be governed by
27 RCW 47.64.270.

28 (4)(a) Until January 1, 2020, the authority shall collect from
29 each participating school district and educational service district
30 an amount equal to the composite rate charged to state agencies, plus
31 an amount equal to the employee premiums by plan and family size as
32 would be charged to state employees, for groups of district employees
33 enrolled in authority plans. The authority may collect these amounts
34 in accordance with the district fiscal year, as described in RCW
35 28A.505.030.

36 (b) For all groups of district employees enrolling in authority
37 plans for the first time after September 1, 2003, and until January
38 1, 2020, the authority shall collect from each participating school
39 district an amount equal to the composite rate charged to state
40 agencies, plus an amount equal to the employee premiums by plan and

1 by family size as would be charged to state employees, only if the
2 authority determines that this method of billing the districts will
3 not result in a material difference between revenues from districts
4 and expenditures made by the authority on behalf of districts and
5 their employees. The authority may collect these amounts in
6 accordance with the district fiscal year, as described in RCW
7 28A.505.030.

8 (c) If the authority determines at any time that the conditions
9 in (b) of this subsection cannot be met, the authority shall offer
10 enrollment to additional groups of district employees on a tiered
11 rate structure until such time as the authority determines there
12 would be no material difference between revenues and expenditures
13 under a composite rate structure for all district employees enrolled
14 in authority plans.

15 ~~(d) ((The authority may charge districts a one-time set-up fee~~
16 ~~for employee groups enrolling in authority plans for the first~~
17 ~~time.))~~ Beginning January 1, 2020, all school districts and
18 educational service districts shall commence participation in the
19 school employees' benefits board program established under section
20 801 of this act. All school districts and educational service
21 districts, and all district employee groups participating in the
22 public employees' benefits board plans before January 1, 2020, shall
23 thereafter participate in the school employees' benefits board
24 program administered by the authority.

25 (e) For the purposes of this subsection:

26 (i) "District" means school district and educational service
27 district; and

28 (ii) "Tiered rates" means the amounts the authority must pay to
29 insuring entities by plan and by family size.

30 (f) Notwithstanding this subsection and RCW 41.05.065(4), the
31 authority may allow districts enrolled on a tiered rate structure
32 prior to September 1, 2002, and until January 1, 2020, to continue
33 participation based on the same rate structure and under the same
34 conditions and eligibility criteria.

35 (5) The authority shall transmit a recommendation for the amount
36 of the employer contributions to the governor and the director of
37 financial management for inclusion in the proposed budgets submitted
38 to the legislature.

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

3 SEBB—PEBB—CONFORMING AMENDMENTS. (1) The public employees'
4 benefits board is created within the authority. The function of the
5 board is to design and approve insurance benefit plans for employees
6 and to establish eligibility criteria for participation in insurance
7 benefit plans.

8 (2) The board shall be composed of nine members through December
9 31, 2019, and of eight members thereafter, appointed by the governor
10 as follows:

11 (a) Two representatives of state employees, one of whom shall
12 represent an employee union certified as exclusive representative of
13 at least one bargaining unit of classified employees, and one of whom
14 is retired, is covered by a program under the jurisdiction of the
15 board, and represents an organized group of retired public employees;

16 (b) Through December 31, 2019, two representatives of school
17 district employees, one of whom shall represent an association of
18 school employees as a nonvoting member, and one of whom is retired,
19 and represents an organized group of retired school employees.
20 Thereafter, and only while retired school employees are served by the
21 board, only the retired representative shall serve on the board;

22 (c) Four members with experience in health benefit management and
23 cost containment, one of whom shall be a nonvoting member; and

24 (d) The ~~((administrator))~~ director.

25 ~~(3) ((The member who represents an association of school~~
26 ~~employees and one member appointed pursuant to subsection (2)(c) of~~
27 ~~this section shall be nonvoting members until such time that there~~
28 ~~are no less than twelve thousand school district employee subscribers~~
29 ~~enrolled with the authority for health care coverage.~~

30 ~~{4})~~) The governor shall appoint the initial members of the board
31 to staggered terms not to exceed four years. Members appointed
32 thereafter shall serve two-year terms. Members of the board shall be
33 compensated in accordance with RCW 43.03.250 and shall be reimbursed
34 for their travel expenses while on official business in accordance
35 with RCW 43.03.050 and 43.03.060. The board shall prescribe rules for
36 the conduct of its business. The ~~((administrator))~~ director shall
37 serve as chair of the board. Meetings of the board shall be at the
38 call of the chair.

1 **Sec. 808.** RCW 41.05.075 and 2007 c 259 s 34 are each amended to
2 read as follows:

3 SEBB—HEALTH CARE AUTHORITY. (1) The ((administrator)) director
4 shall provide benefit plans designed by the board and the school
5 employees' benefits board through a contract or contracts with
6 insuring entities, through self-funding, self-insurance, or other
7 methods of providing insurance coverage authorized by RCW 41.05.140.
8 The process of contracting for plans offered by the school employees'
9 benefits board is subject to oversight and direction by the school
10 employees' benefits board.

11 (2) The ((administrator)) director, subject to school employees'
12 benefits board direction for plans offered to school employees, shall
13 establish a contract bidding process that:

14 (a) Encourages competition among insuring entities;

15 (b) Maintains an equitable relationship between premiums charged
16 for similar benefits and between risk pools including premiums
17 charged for retired state and school district employees under the
18 separate risk pools established by RCW 41.05.022 and 41.05.080 such
19 that insuring entities may not avoid risk when establishing the
20 premium rates for retirees eligible for medicare;

21 (c) Is timely to the state budgetary process; and

22 (d) Sets conditions for awarding contracts to any insuring
23 entity.

24 (3) School districts directly providing medical and dental
25 benefits plans and contracted insuring entities providing medical and
26 dental benefits plans to school districts on December 31, 2017, shall
27 provide the school employees' benefits board and authority specified
28 data by January 1, 2019, to support an initial benefits plans
29 procurement. At a minimum, the data must cover the period January 1,
30 2014, through August 1, 2018, and include:

31 (a) A summary of the benefit packages offered to each group of
32 district employees, including covered benefits, point-of-service
33 cost-sharing, member count, and the group policy number;

34 (b) Aggregated subscriber and member demographic information,
35 including age band and gender, by insurance tier by month and by
36 benefit packages;

37 (c) Monthly total by benefit package, including premiums paid,
38 inpatient facility claims paid, outpatient facility claims paid,
39 physician claims paid, pharmacy claims paid, capitation amounts paid,
40 and other claims paid;

1 (d) A listing for calendar years 2014 through 2017 of large
2 claims defined as annual amounts paid in excess of one hundred
3 thousand dollars including the amount paid, the member enrollment
4 status, and the primary diagnosis; and

5 (e) A listing of calendar year 2018 allowed claims by provider
6 entity.

7 Any data that may be confidential and contain personal health
8 information may be protected in accordance with a data-sharing
9 agreement.

10 (4) The ((administrator)) director shall establish a requirement
11 for review of utilization and financial data from participating
12 insuring entities on a quarterly basis.

13 ((4)) (5) The ((administrator)) director shall centralize the
14 enrollment files for all employee and retired or disabled school
15 employee health plans offered under chapter 41.05 RCW and develop
16 enrollment demographics on a plan-specific basis.

17 ((5)) (6) All claims data shall be the property of the state.
18 The ((administrator)) director may require of any insuring entity
19 that submits a bid to contract for coverage all information deemed
20 necessary including:

21 (a) Subscriber or member demographic and claims data necessary
22 for risk assessment and adjustment calculations in order to fulfill
23 the ((administrator's)) director's duties as set forth in this
24 chapter; and

25 (b) Subscriber or member demographic and claims data necessary to
26 implement performance measures or financial incentives related to
27 performance under subsection ((7)) (8) of this section.

28 ((6)) (7) All contracts with insuring entities for the
29 provision of health care benefits shall provide that the
30 beneficiaries of such benefit plans may use on an equal participation
31 basis the services of practitioners licensed pursuant to chapters
32 18.22, 18.25, 18.32, 18.53, 18.57, 18.71, 18.74, 18.83, and 18.79
33 RCW, as it applies to registered nurses and advanced registered nurse
34 practitioners. However, nothing in this subsection may preclude the
35 ((administrator)) director from establishing appropriate utilization
36 controls approved pursuant to RCW 41.05.065(2) (a), (b), and (d).

37 ((7)) (8) The ((administrator)) director shall, in
38 collaboration with other state agencies that administer state
39 purchased health care programs, private health care purchasers,
40 health care facilities, providers, and carriers:

1 (a) Use evidence-based medicine principles to develop common
2 performance measures and implement financial incentives in contracts
3 with insuring entities, health care facilities, and providers that:

4 (i) Reward improvements in health outcomes for individuals with
5 chronic diseases, increased utilization of appropriate preventive
6 health services, and reductions in medical errors; and

7 (ii) Increase, through appropriate incentives to insuring
8 entities, health care facilities, and providers, the adoption and use
9 of information technology that contributes to improved health
10 outcomes, better coordination of care, and decreased medical errors;

11 (b) Through state health purchasing, reimbursement, or pilot
12 strategies, promote and increase the adoption of health information
13 technology systems, including electronic medical records, by
14 hospitals as defined in RCW 70.41.020(~~((4))~~), integrated delivery
15 systems, and providers that:

16 (i) Facilitate diagnosis or treatment;

17 (ii) Reduce unnecessary duplication of medical tests;

18 (iii) Promote efficient electronic physician order entry;

19 (iv) Increase access to health information for consumers and
20 their providers; and

21 (v) Improve health outcomes;

22 (c) Coordinate a strategy for the adoption of health information
23 technology systems using the final health information technology
24 report and recommendations developed under chapter 261, Laws of 2005.

25 (~~((8))~~) The (~~((administrator))~~) director may permit the Washington
26 state health insurance pool to contract to utilize any network
27 maintained by the authority or any network under contract with the
28 authority.

29 **Sec. 809.** RCW 41.05.120 and 2005 c 518 s 921 and 2005 c 143 s 3
30 are each reenacted and amended to read as follows:

31 SEBB INSURANCE ACCOUNT. (1) The public employees' and retirees'
32 insurance account is hereby established in the custody of the state
33 treasurer, to be used by the (~~((administrator))~~) director for the
34 deposit of contributions, the remittance paid by school districts and
35 educational service districts under RCW 28A.400.410, reserves,
36 dividends, and refunds, for payment of premiums for employee and
37 retiree insurance benefit contracts and subsidy amounts provided
38 under RCW 41.05.085, and transfers from the (~~((medical))~~) flexible
39 spending administrative account as authorized in RCW 41.05.123.

1 Moneys from the account shall be disbursed by the state treasurer by
2 warrants on vouchers duly authorized by the ~~((administrator))~~
3 director. Moneys from the account may be transferred to the
4 ~~((medical))~~ flexible spending administrative account to provide
5 reserves and start-up costs for the operation of the ~~((medical))~~
6 flexible spending administrative account program.

7 (2) The state treasurer and the state investment board may invest
8 moneys in the public employees' and retirees' insurance account. All
9 such investments shall be in accordance with RCW 43.84.080 or
10 43.84.150, whichever is applicable. The ~~((administrator))~~ director
11 shall determine whether the state treasurer or the state investment
12 board or both shall invest moneys in the public employees' ~~((and~~
13 ~~retirees']~~) and retirees' insurance account.

14 (3) ~~((During the 2005-07 fiscal biennium, the legislature may~~
15 ~~transfer from the public employees' and retirees' insurance account~~
16 ~~such amounts as reflect the excess fund balance of the fund.))~~ The
17 school employees' insurance account is hereby established in the
18 custody of the state treasurer, to be used by the director for the
19 deposit of contributions, reserves, dividends, and refunds, for
20 payment of premiums for school employee insurance benefit contracts.
21 Moneys from the account shall be disbursed by the state treasurer by
22 warrants on vouchers duly authorized by the director.

23 (4) The state treasurer and the state investment board may invest
24 moneys in the school employees' insurance account. These investments
25 must be in accordance with RCW 43.84.080 or 43.84.150, whichever is
26 applicable. The director shall determine whether the state treasurer
27 or the state investment board or both shall invest moneys in the
28 school employees' insurance account.

29 **Sec. 810.** RCW 41.05.130 and 2014 c 221 s 914 are each amended to
30 read as follows:

31 SEBB INSURANCE ADMINISTRATIVE ACCOUNT. (1) The state health care
32 authority administrative account is hereby created in the state
33 treasury. Moneys in the account, including unanticipated revenues
34 under RCW 43.79.270, may be spent only after appropriation by
35 statute, and may be used only for operating expenses of the
36 authority, and during the 2013-2015 fiscal biennium, for health care
37 related analysis provided to the legislature by the office of the
38 state actuary. During the 2017-2019 and 2019-2021 fiscal biennia,
39 moneys in the account may be used for the initial operating expenses

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

6 (2) The school employees' insurance administrative account is
7 hereby created in the state treasury. Moneys in the account may be
8 used for operating, contracting, and other administrative expenses of
9 the authority in administration of the school employees insurance
10 program, including reimbursement of the state health care authority
11 administrative account for initial operating expenses of the
12 authority associated with chapter . . . , Laws of 2017 3rd sp. sess.
13 (this act).

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

16 SEBB MEDICAL BENEFITS ACCOUNT. (1) The uniform medical plan
17 benefits administration account is created in the custody of the
18 state treasurer. Only the ~~((administrator))~~ director or the
19 ~~((administrator's))~~ director's designee may authorize expenditures
20 from the account. Moneys in the account shall be used exclusively for
21 contracted expenditures for uniform medical plan claims
22 administration, data analysis, utilization management, preferred
23 provider administration, and activities related to benefits
24 administration where the level of services provided pursuant to a
25 contract fluctuate as a direct result of changes in uniform medical
26 plan enrollment. Moneys in the account may also be used for
27 administrative activities required to respond to new and unforeseen
28 conditions that impact the uniform medical plan, but only when the
29 authority and the office of financial management jointly agree that
30 such activities must be initiated prior to the next legislative
31 session.

32 (2) Receipts from amounts due from or on behalf of uniform
33 medical plan enrollees for expenditures related to benefits
34 administration, including moneys disbursed from the public employees'
35 and retirees' insurance account, shall be deposited into the account.
36 The account is subject to allotment procedures under chapter 43.88
37 RCW, but no appropriation is required for expenditures. All proposals
38 for allotment increases shall be provided to the house of
39 representatives appropriations committee and to the senate ways and

1 means committee at the same time as they are provided to the office
2 of financial management.

3 (3) The uniform dental plan benefits administration account is
4 created in the custody of the state treasurer. Only the
5 (~~administrator~~) director or the (~~administrator's~~) director's
6 designee may authorize expenditures from the account. Moneys in the
7 account shall be used exclusively for contracted expenditures related
8 to benefits administration for the uniform dental plan as established
9 under RCW 41.05.140. Receipts from amounts due from or on behalf of
10 uniform dental plan enrollees for expenditures related to benefits
11 administration, including moneys disbursed from the public employees'
12 and retirees' insurance account, shall be deposited into the account.
13 The account is subject to allotment procedures under chapter 43.88
14 RCW, but no appropriation is required for expenditures.

15 (4) The public employees' benefits board medical benefits
16 administration account is created in the custody of the state
17 treasurer. Only the (~~administrator~~) director or the
18 (~~administrator's~~) director's designee may authorize expenditures
19 from the account. Moneys in the account shall be used exclusively for
20 contracted expenditures related to claims administration, data
21 analysis, utilization management, preferred provider administration,
22 and other activities related to benefits administration for self-
23 insured medical plans other than the uniform medical plan. Receipts
24 from amounts due from or on behalf of enrollees for expenditures
25 related to benefits administration, including moneys disbursed from
26 the public employees' and retirees' insurance account, shall be
27 deposited into the account. The account is subject to allotment
28 procedures under chapter 43.88 RCW, but an appropriation is not
29 required for expenditures.

30 (5) The school employees' benefits board medical benefits
31 administration account is created in the custody of the state
32 treasurer. Only the director or the director's designee may authorize
33 expenditures from the account. Moneys in the account shall be used
34 exclusively for contracted expenditures related to claims
35 administration, data analysis, utilization management, preferred
36 provider administration, and other activities related to benefits
37 administration for self-insured medical plans other than the uniform
38 medical plan. Receipts from amounts due from or on behalf of
39 enrollees for expenditures related to benefits administration,
40 including moneys disbursed from the school employees' insurance

1 account, shall be deposited into the account. The account is subject
2 to allotment procedures under chapter 43.88 RCW, but no appropriation
3 is required for expenditures.

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

6 SEBB IMPLEMENTATION. (1) Effective January 1, 2013, the authority
7 must contract with all of the public employees' benefits board
8 managed care plans and the self-insured plan or plans to include
9 provider reimbursement methods that incentivize chronic care
10 management within health homes resulting in reduced emergency
11 department and inpatient use.

12 (2) Health home services contracted for under this section may be
13 prioritized to enrollees with complex, high cost, or multiple chronic
14 conditions.

15 (3) For the purposes of this section, "chronic care
16 management((~~r~~))" and "health home" have the same meaning as in RCW
17 74.09.010.

18 (4) Contracts with fully insured plans and with any third-party
19 administrator for the self-funded plan that include the items in
20 subsection (1) of this section must be funded within the resources
21 provided by employer funding rates provided for employee health
22 benefits in the omnibus appropriations act.

23 (5) Nothing in this section shall require contracted third-party
24 health plans administering the self-insured contract to expend
25 resources to implement items in subsection (1) of this section beyond
26 the resources provided by employer funding rates provided for
27 employee health benefits in the omnibus appropriations act or from
28 other sources in the absence of these provisions.

29 (6) The school employees' benefits board, under section 801 of
30 this act, shall implement the provisions of this section, effective
31 January 1, 2020.

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

34 SEBB CONFORMING AMENDMENTS. Unless the context clearly requires
35 otherwise, the definitions in this section apply throughout RCW
36 28A.400.275 and 28A.400.280.

37 (1) "School district employee benefit plan" means the overall
38 plan used by the district for distributing fringe benefit subsidies

1 to employees, including the method of determining employee coverage
2 (~~((and the amount of employer contributions, as well as the~~
3 ~~characteristics of benefit providers and the specific benefits or~~
4 ~~coverage offered))~~). It shall not include coverage offered to district
5 employees for which there is no contribution from public funds.

6 (2) "Fringe benefit" does not include liability coverage, old-age
7 survivors' insurance, workers' compensation, unemployment
8 compensation, retirement benefits under the Washington state
9 retirement system, or payment for unused leave for illness or injury
10 under RCW 28A.400.210.

11 (3) "Basic benefits" (~~((are determined through local bargaining~~
12 ~~and))~~) are limited to medical, dental, vision, group term life, and
13 group long-term disability insurance coverage.

14 (4) "Benefit providers" include insurers, third party claims
15 administrators, direct providers of employee fringe benefits, health
16 maintenance organizations, health care service contractors, and the
17 Washington state health care authority or any plan offered by the
18 authority.

19 (5) "Group term life insurance coverage" means term life
20 insurance coverage provided for, at a minimum, all full-time
21 employees in a bargaining unit or all full-time nonbargaining group
22 employees.

23 (6) "Group long-term disability insurance coverage" means long-
24 term disability insurance coverage provided for, at a minimum, all
25 full-time employees in a bargaining unit or all full-time
26 nonbargaining group employees.

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

29 SEBB COMPLIANCE AND REPORTING. (1) Any contract or agreement for
30 employee benefits executed after April 13, 1990, between a school
31 district and a benefit provider or employee bargaining unit is null
32 and void unless it contains an agreement to abide by state laws
33 relating to school district employee benefits. The term of the
34 contract or agreement may not exceed one year.

35 (2) Through December 31, 2019, school districts and their benefit
36 providers shall annually submit, by a date determined by the office
37 of the insurance commissioner, the following information and data for
38 the prior calendar year to the office of the insurance commissioner:

1 (a) Progress by the district and its benefit providers toward
2 greater affordability for full family coverage, health care cost
3 savings, and significantly reduced administrative costs;

4 (b) Compliance with the requirement to provide a high deductible
5 health plan option with a health savings account;

6 (c) An overall plan summary including the following:

7 (i) The financial plan structure and overall performance of each
8 health plan including:

9 (A) Total premium expenses;

10 (B) Total claims expenses;

11 (C) Claims reserves; and

12 (D) Plan administration expenses, including compensation paid to
13 brokers;

14 (ii) A description of the plan's use of innovative health plan
15 features designed to reduce health benefit premium growth and reduce
16 utilization of unnecessary health services including but not limited
17 to the use of enrollee health assessments or health coach services,
18 care management for high cost or high-risk enrollees, medical or
19 health home payment mechanisms, and plan features designed to create
20 incentives for improved personal health behaviors;

21 (iii) Data to provide an understanding of employee health benefit
22 plan coverage and costs, including: The total number of employees
23 and, for each employee, the employee's full-time equivalent status,
24 types of coverage or benefits received including numbers of covered
25 dependents, the number of eligible dependents, the amount of the
26 district's contribution to premium, additional premium costs paid by
27 the employee through payroll deductions, and the age and sex of the
28 employee and each dependent;

29 (iv) Data necessary for school districts to more effectively and
30 competitively manage and procure health insurance plans for
31 employees. The data must include, but not be limited to, the
32 following:

33 (A) A summary of the benefit packages offered to each group of
34 district employees, including covered benefits, employee deductibles,
35 coinsurance, and copayments, and the number of employees and their
36 dependents in each benefit package;

37 (B) Aggregated employee and dependent demographic information,
38 including age band and gender, by insurance tier and by benefit
39 package;

1 (C) Total claim payments by benefit package, including premiums
2 paid, inpatient facility claims paid, outpatient facility claims
3 paid, physician claims paid, pharmacy claims paid, capitation amounts
4 paid, and other claims paid;

5 (D) Total premiums paid by benefit package;

6 (E) A listing of large claims defined as annual amounts paid in
7 excess of one hundred thousand dollars including the amount paid, the
8 member enrollment status, and the primary diagnosis;

9 (F) After December 31, 2018, school districts shall submit such
10 data as required by the school employees' benefits board to
11 administer the consolidated purchasing of health services.

12 (3) ~~((Annually))~~ Through December 31, 2018, school districts and
13 their benefit providers shall jointly report to the office of the
14 insurance commissioner on their health insurance-related efforts and
15 achievements to:

16 (a) Significantly reduce administrative costs for school
17 districts;

18 (b) Improve customer service;

19 (c) Reduce differential plan premium rates between employee only
20 and family health benefit premiums;

21 (d) Protect access to coverage for part-time K-12 employees.

22 (4) The information and data shall be submitted in a format and
23 according to a schedule established by the office of the insurance
24 commissioner under RCW 48.02.210 to enable the commissioner to meet
25 the reporting obligations under that section.

26 (5) Through December 31, 2018, any benefit provider offering a
27 benefit plan by contract or agreement with a school district under
28 subsection (1) of this section shall make available to the school
29 district the benefit plan descriptions and, where available, the
30 demographic information on plan subscribers that the district and
31 benefit provider are required to report to the office of the
32 insurance commissioner under this section. After December 31, 2018, a
33 benefit provider shall submit such data to the school employees'
34 benefits board.

35 (6) ~~((This section shall not apply to benefit plans offered in~~
36 ~~the 1989-90 school year.))~~ Each school district shall:

37 (a) Carry out all actions required by the school employees'
38 benefits board and the health care authority under chapter 41.05 RCW
39 including, but not limited to, those necessary for the operation of

1 benefit plans, education of employees, claims administration, and
2 appeals process; and

3 (b) Report all data relating to employees eligible to participate
4 in benefits or plans administered by the school employees' benefits
5 board and the health care authority in a format designed and
6 communicated by the school employees' benefits board and the health
7 care authority.

8 **Sec. 815.** RCW 28A.400.280 and 2012 2nd sp.s. c 3 s 2 are each
9 amended to read as follows:

10 SEBB CONFORMING AMENDMENTS. (1) Except as provided in subsection
11 (2) of this section, school districts may provide employer fringe
12 benefit contributions after October 1, 1990, only for basic benefits.
13 However, school districts may continue payments under contracts with
14 employees or benefit providers in effect on April 13, 1990, until the
15 contract expires.

16 (2) School districts may provide employer contributions after
17 October 1, 1990, and until December 31, 2019, for optional benefit
18 plans, in addition to basic benefits(~~(, only for employees included~~
19 ~~in pooling arrangements under this subsection)~~). Optional benefits
20 may include direct agreements as defined in chapter 48.150 RCW,
21 ~~((but))~~ and may ~~((not))~~ include employee beneficiary accounts that
22 can be liquidated by the employee on termination of employment.
23 Optional benefit plans may be offered only if:

24 ~~((The school district pools benefit allocations among~~
25 ~~employees using a pooling arrangement that includes at least one~~
26 ~~employee bargaining unit and/or all nonbargaining group employees;~~

27 ~~(b) Each full-time employee included in the pooling arrangement~~
28 ~~is offered basic benefits, including coverage for dependents;~~

29 ~~(c) Each employee included in the pooling arrangement who elects~~
30 ~~medical benefit coverage pays a minimum premium charge subject to~~
31 ~~collective bargaining under chapter 41.59 or 41.56 RCW;~~

32 ~~(d) The employee premiums are structured to ensure employees~~
33 ~~selecting richer benefit plans pay the higher premium;~~

34 ~~((e)))~~ Each full-time employee ~~((included in the pooling~~
35 ~~arrangement))~~, regardless of the number of dependents receiving basic
36 coverage, receives the same additional employer contribution for
37 other coverage or optional benefits; and

38 ~~((f)))~~ (b) For part-time employees ~~((included in the pooling~~
39 ~~arrangement))~~, participation in optional benefit plans shall be

1 governed by the same eligibility criteria and/or proration of
2 employer contributions used for allocations for basic benefits.

3 ~~(3) ((Savings accruing to school districts due to limitations on~~
4 ~~benefit options under this section shall be pooled and made available~~
5 ~~by the districts to reduce out-of-pocket premium expenses for~~
6 ~~employees needing basic coverage for dependents.))~~ School districts
7 are not intended to divert state basic benefit allocations for other
8 purposes, and beginning January 1, 2020, no basic or optional
9 benefits may be provided by employer contributions if they are not
10 provided by the school employees' benefits board administered by the
11 health care authority, and consistent with RCW 41.56.500(2).

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

14 SEBB CONFORMING AMENDMENTS. (1) The board of directors of any of
15 the state's school districts or educational service districts may
16 make available medical, dental, vision, liability, life, ~~((health,~~
17 ~~health care,))~~ accident, disability, and salary protection or
18 insurance, direct agreements as defined in chapter 48.150 RCW, or any
19 one of, or a combination of the types of employee benefits enumerated
20 in this subsection, or any other type of insurance or protection, for
21 the members of the boards of directors, the students, and employees
22 of the school district or educational service district, and their
23 dependents. Except as provided in subsection (6) of this section,
24 such coverage may be provided by contracts or agreements with private
25 carriers, with the state health care authority ((after July 1, 1990,
26 pursuant to the approval of the authority administrator)), or through
27 self-insurance or self-funding pursuant to chapter 48.62 RCW, or in
28 any other manner authorized by law. Any direct agreement must comply
29 with RCW 48.150.050.

30 (2)(a) Whenever funds are available for these purposes the board
31 of directors of the school district or educational service district
32 may contribute all or a part of the cost of such protection or
33 insurance for the employees of their respective school districts or
34 educational service districts and their dependents. The premiums on
35 such liability insurance shall be borne by the school district or
36 educational service district.

37 (b) After October 1, 1990, school districts may not contribute to
38 any employee protection or insurance other than liability insurance

1 unless the district's employee benefit plan conforms to RCW
2 28A.400.275 and 28A.400.280.

3 (c) After December 31, 2019, school district contributions to any
4 employee insurance that is purchased through the health care
5 authority must conform to the requirements established by chapter
6 41.05 RCW and the school employees' benefits board.

7 (3) For school board members, educational service district board
8 members, and students, the premiums due on such protection or
9 insurance shall be borne by the assenting school board member,
10 educational service district board member, or student. The school
11 district or educational service district may contribute all or part
12 of the costs, including the premiums, of life, health, health care,
13 accident or disability insurance which shall be offered to all
14 students participating in interschool activities on the behalf of or
15 as representative of their school, school district, or educational
16 service district. The school district board of directors and the
17 educational service district board may require any student
18 participating in extracurricular interschool activities to, as a
19 condition of participation, document evidence of insurance or
20 purchase insurance that will provide adequate coverage, as determined
21 by the school district board of directors or the educational service
22 district board, for medical expenses incurred as a result of injury
23 sustained while participating in the extracurricular activity. In
24 establishing such a requirement, the district shall adopt regulations
25 for waiving or reducing the premiums of such coverage as may be
26 offered through the school district or educational service district
27 to students participating in extracurricular activities, for those
28 students whose families, by reason of their low income, would have
29 difficulty paying the entire amount of such insurance premiums. The
30 district board shall adopt regulations for waiving or reducing the
31 insurance coverage requirements for low-income students in order to
32 assure such students are not prohibited from participating in
33 extracurricular interschool activities.

34 (4) All contracts or agreements for insurance or protection
35 written to take advantage of the provisions of this section shall
36 provide that the beneficiaries of such contracts may utilize on an
37 equal participation basis the services of those practitioners
38 licensed pursuant to chapters 18.22, 18.25, 18.53, 18.57, and 18.71
39 RCW.

1 (5)(a) Until the creation of the school employees' benefits board
2 under section 801 of this act, school districts offering medical,
3 vision, and dental benefits shall:

4 ~~((a))~~ (i) Offer a high deductible health plan option with a
5 health savings account that conforms to section 223, part VII of
6 subchapter 1 of the internal revenue code of 1986. School districts
7 shall comply with all applicable federal standards related to the
8 establishment of health savings accounts;

9 ~~((b))~~ (ii) Make progress toward employee premiums that are
10 established to ensure that full family coverage premiums are not more
11 than three times the premiums for employees purchasing single
12 coverage for the same coverage plan, unless a subsequent premium
13 differential target is defined as a result of the review and
14 subsequent actions described in RCW 41.05.655;

15 ~~((c))~~ (iii) Offer employees at least one health benefit plan
16 that is not a high deductible health plan offered in conjunction with
17 a health savings account in which the employee share of the premium
18 cost for a full-time employee, regardless of whether the employee
19 chooses employee-only coverage or coverage that includes dependents,
20 does not exceed the share of premium cost paid by state employees
21 during the state employee benefits year that started immediately
22 prior to the school year.

23 ~~((6))~~ (b) All contracts or agreements for employee benefits
24 must be held to responsible contracting standards, meaning a fair,
25 prudent, and accountable competitive procedure for procuring services
26 that includes an open competitive process, except where an open
27 process would compromise cost-effective purchasing, with
28 documentation justifying the approach.

29 ~~((7))~~ (c) School districts offering medical, vision, and dental
30 benefits shall also make progress on promoting health care
31 innovations and cost savings and significantly reduce administrative
32 costs.

33 ~~((8))~~ (d) All contracts or agreements for insurance or
34 protection described in this section shall be in compliance with
35 chapter 3, Laws of 2012 2nd sp. sess.

36 ~~((9))~~ (e) Upon notification from the office of the insurance
37 commissioner of a school district's substantial noncompliance with
38 the data reporting requirements of RCW 28A.400.275, and the failure
39 is due to the action or inaction of the school district, and if the
40 noncompliance has occurred for two reporting periods, the

1 superintendent is authorized and required to limit the school
2 district's authority provided in subsection (1) of this section
3 regarding employee health benefits to the provision of health benefit
4 coverage provided by the state health care authority.

5 (6) The authority to make available basic and optional benefits
6 to school employees under this section expires December 31, 2019.
7 Beginning January 1, 2020, school districts and educational service
8 districts shall make available basic and optional benefits through
9 plans offered by the health care authority and the school employees'
10 benefits board.

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

13 SEBB AND COLLECTIVE BARGAINING AGREEMENTS. (1) All collective
14 bargaining agreements entered into between a school district employer
15 and school district employees under this chapter after June 10, 2010,
16 as well as bargaining agreements existing on June 10, 2010, but
17 renewed or extended after June 10, 2010, shall be consistent with RCW
18 28A.657.050.

19 (2) All collective bargaining agreements entered into between a
20 school district employer and school district employees under this
21 chapter shall be consistent with RCW 28A.400.280 and 28A.400.350.

22 (3) Employee bargaining shall be initiated after July 1, 2018,
23 over the dollar amount to be contributed for school employee health
24 benefits beginning January 1, 2020, on behalf of each employee for
25 health care benefits. Bargaining must subsequently be conducted in
26 even-numbered years between the governor or governor's designee and
27 one coalition of all the exclusive bargaining representatives
28 impacted by benefit purchasing with the school employees' benefits
29 board established in section 801 of this act, consistent with RCW
30 28A.400.280 and 28A.400.350. The coalition bargaining must follow the
31 model initially established for state employees in RCW 41.80.020.

32 (4) The governor shall submit a request for funds necessary to
33 implement the collective bargaining agreement for the dollar amount
34 to be expended for school employee health benefits, or for
35 legislation necessary to implement the agreement. A request for funds
36 shall not be submitted to the legislature by the governor unless such
37 request:

1 (a) Has been submitted to the director of the office of financial
2 management by October 1st prior to the legislative session at which
3 the request is to be considered; and

4 (b) Has been certified by the director of the office of financial
5 management as being feasible financially for the state.

6 The legislature shall approve or reject the submission of the
7 request for funds. The legislature shall not consider a request for
8 funds unless the request is transmitted to the legislature as part of
9 the governor's budget document submitted under RCW 43.88.030 and
10 43.88.060.

11 If the legislature rejects or fails to act on the submission,
12 either party may reopen all or part of the agreement. However, if the
13 director of the office of financial management does not certify a
14 request under this section as being feasible financially for the
15 state, the parties shall enter into collective bargaining solely for
16 the purpose of reaching a mutually agreed upon modification of the
17 agreement necessary to address the absence of those requested funds.
18 The legislature may act upon the health care benefit provisions of
19 the modified collective bargaining agreement if those provisions are
20 agreed upon and submitted to the office of financial management and
21 legislative budget committees before final legislative action on the
22 biennial or supplemental operating budget. If the legislature rejects
23 or fails to act on the submission, either party may reopen all or
24 part of the agreement.

25 **Sec. 818.** RCW 41.59.105 and 2010 c 235 s 803 are each amended to
26 read as follows:

27 SEBB AND COLLECTIVE BARGAINING AGREEMENTS. (1) All collective
28 bargaining agreements entered into between a school district employer
29 and school district employees under this chapter after June 10, 2010,
30 as well as bargaining agreements existing on June 10, 2010, but
31 renewed or extended after June 10, 2010, shall be consistent with RCW
32 28A.657.050.

33 (2) All collective bargaining agreements entered into between a
34 school district employer and school district employees under this
35 chapter shall be consistent with RCW 28A.400.280 and 28A.400.350.

36 (3) Employee bargaining shall be initiated after July 1, 2018,
37 over the dollar amount to be contributed beginning January 1, 2020,
38 on behalf of each employee for health care benefits. Bargaining must
39 subsequently be conducted in even-numbered years between the governor

1 or governor's designee and one coalition of all the exclusive
2 bargaining representatives impacted by benefit purchasing with the
3 school employees' benefits board established in section 801 of this
4 act, consistent with RCW 28A.400.280 and 28A.400.350. The coalition
5 bargaining must follow the model initially established for state
6 employees in RCW 41.80.020.

7 (4) The governor shall submit a request for funds necessary to
8 implement the collective bargaining agreement for the dollar amount
9 to be expended for school employee health benefits, or for
10 legislation necessary to implement the agreement. A request for funds
11 shall not be submitted to the legislature by the governor unless such
12 request:

13 (a) Has been submitted to the director of the office of financial
14 management by October 1st prior to the legislative session at which
15 the request is to be considered; and

16 (b) Has been certified by the director of the office of financial
17 management as being feasible financially for the state.

18 The legislature shall approve or reject the submission of the
19 request for funds. The legislature shall not consider a request for
20 funds unless the request is transmitted to the legislature as part of
21 the governor's budget document submitted under RCW 43.88.030 and
22 43.88.060.

23 If the legislature rejects or fails to act on the submission,
24 either party may reopen all or part of the agreement. However, if the
25 director of the office of financial management does not certify a
26 request under this section as being feasible financially for the
27 state, the parties shall enter into collective bargaining solely for
28 the purpose of reaching a mutually agreed upon modification of the
29 agreement necessary to address the absence of those requested funds.
30 The legislature may act upon the health care benefit provisions of
31 the modified collective bargaining agreement if those provisions are
32 agreed upon and submitted to the office of financial management and
33 legislative budget committees before final legislative action on the
34 biennial or supplemental operating budget. If the legislature rejects
35 or fails to act on the submission, either party may reopen all or
36 part of the agreement.

37 ****Sec. 819. RCW 48.02.210 and 2012 2nd sp.s. c 3 s 5 are each***
38 ***amended to read as follows:***

1 **SEBB CONFORMING AMENDMENTS. (1) For purposes of this section,**
2 **"benefit provider" has the same meaning as provided in RCW**
3 **28A.400.270.**

4 **(2)(a) By December 1, 2013, and December 1st of each year**
5 **thereafter through December 1, 2018, the commissioner shall submit a**
6 **report to the governor, the health care authority, and the**
7 **legislature on school district health insurance benefits. The report**
8 **shall be available to the public on the commissioner's web site. The**
9 **confidentiality of personally identifiable district employee data**
10 **shall be safeguarded consistent with the provisions of RCW**
11 **42.56.400(21).**

12 **(b) The report shall include a summary of each school district's**
13 **health insurance benefit plans and each district's aggregated**
14 **financial data and other information as required in RCW 28A.400.275.**

15 **(3) The commissioner shall collect data from school districts or**
16 **their benefit providers through December 1, 2018, as needed to**
17 **fulfill the requirements of this section. The commissioner may adopt**
18 **rules necessary to implement the data submission requirements under**
19 **this section and RCW 28A.400.275, including, but not limited to, the**
20 **format, timing of data reporting, data elements, data standards,**
21 **instructions, definitions, and data sources.**

22 **(4) In fulfilling the duties under chapter 3, Laws of 2012 2nd**
23 **sp. sess., the commissioner shall consult with school district**
24 **representatives to ensure that the data and reports from benefit**
25 **providers will give individual school districts sufficient**
26 **information to enhance districts' ability to understand, manage, and**
27 **seek competitive alternatives for health insurance coverage for their**
28 **employees.**

29 **(5) If the commissioner determines that a school district has not**
30 **substantially complied with the reporting requirements of RCW**
31 **28A.400.275, and the failure is due to the action or inaction of the**
32 **school district, the commissioner will inform the superintendent of**
33 **public instruction of the noncompliance.**

34 **(6) Data, information, and documents, other than those described**
35 **in subsection (2) of this section, that are provided by a school**
36 **district or an entity providing coverage pursuant to this section are**
37 **exempt from public inspection and copying under chapter 3, Laws of**
38 **2012 2nd sp. sess. and chapters 42.17A and 42.56 RCW.**

39 **(7) If a school district or benefit provider does not comply with**
40 **the data reporting requirements of this section or RCW 28A.400.275,**

1 *and the failure is due to the actions of an entity providing coverage*
2 *authorized under this title ((48-RCW)), the commissioner may take*
3 *enforcement actions under this chapter.*

4 *(8) The commissioner may enter into one or more personal services*
5 *contracts with third-party contractors to provide services necessary*
6 *to accomplish the commissioner's responsibilities under chapter 3,*
7 *Laws of 2012 2nd sp. sess.*

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

8 **PART IX**
9 **OTHER EDUCATION PROVISIONS**

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

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

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

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

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

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

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

14 (5) Any recommendations for improving the evaluation program.

15 NEW SECTION. **Sec. 903.** INTENT REGARDING ENRICHED STAFFING
16 VALUES. The legislature recognizes that legislation enacted in 2014
17 and 2015 established a phase-in of increased school district staffing
18 ratios. Under current law, these increased staffing ratios begin in
19 the 2019-2021 biennium and exceed the school district staffing ratios
20 established in chapter 236, Laws of 2010 (Substitute House Bill No.
21 2776) and in chapter . . . , Laws of 2017 3rd sp. sess. (this act). In
22 light of the education investments funded pursuant to the 2010 and
23 2017 legislation, the legislature intends to review and prioritize
24 future staffing ratio increases to focus on reducing the opportunity
25 gap, assisting struggling students, enhancing the educational
26 outcomes for all students, and strengthening support for all schools
27 and school district staff.

28 NEW SECTION. **Sec. 904.** A new section is added to chapter
29 28A.400 RCW to read as follows:

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

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

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

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

22 General education
23 certificated instructional
24 staff units sufficient to
25 achieve class size reduction of:

26	Grades K-3 class size.	0.00
27	Grade 4.	2.00
28	Grades 5-6.	2.00
29	Grades 7-8.	3.53
30	Grades 9-12.	3.74
31	CTE.	4.0
32	Skills.	4.00

33 High poverty
34 certificated instructional
35 staff units sufficient to
36 achieve class size reduction of:

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

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

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

31 (2) This section expires June 30, 2020.

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

- 34 (1) RCW 28A.150.261 (State funding to support instructional
35 program of basic education—Schedule of increased allocations) and
36 2015 3rd sp.s. c 38 s 2 & 2015 c 2 s 3;

- 37 (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

1 28A.545.060 will be enrolled in the high school district during the
2 school year;

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

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

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

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

26 (1) ***RCW 28A.400.201 (Enhanced salary allocation model for***
27 ***educator development and certification—Technical working group—***
28 ***Report and recommendation) and 2016 c 162 s 4, 2011 1st sp.s. c 43 s***
29 ***468, 2010 c 236 s 7, & 2009 c 548 s 601;***

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

34 (3) ***RCW 28A.415.023 (Credit on salary schedule for approved in-***
35 ***service training, continuing education, or internship—Course content***
36 ***—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%))
	<u>8%</u>
November	((5.5%))
	<u>5%</u>
December	9%
January	((9%))
	<u>8.5%</u>
February	9%
March	9%
April	9%
May	((5.5%))
	<u>5%</u>
June	6.0%
July	((10.0%))
	<u>12.5%</u>
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]))

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

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

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

33 NEW SECTION. Sec. 1006. EFFECTIVE DATE. Sections 102, 505, and
34 801 of this act are necessary for the immediate preservation of the
35 public peace, health, or safety, or support of the state government
36 and its existing public institutions, and take effect immediately.

1 NEW SECTION. **Sec. 1007.** EFFECTIVE DATE. Sections 1001 and 1002
2 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."

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