**2239-S AMH MAGE H2903.1 - NOT FOR FLOOR USE**

**SHB 2239** - H AMD **518**

By Representative Magendanz

**FAILED 6/26/2015**

Strike everything after the enacting clause and insert the following:

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

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

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

(4) The legislature further finds that increased state salary allocations, while a necessary part of the solution, are not a complete solution. The legislature intends to correct the inadequate state salary allocations identified by the court, but it cannot do so without simultaneously addressing the use of and accountability for local levies for enrichments to the state-funded program of basic education, as well as state-funded levy equalization to mitigate the effect of above-average property tax rates for local levies. Revisions to local levy laws must consider sensitivity to tax rates for districts that have relatively low property values. The intricacies of these entwined topics mean that a piecemeal or interim solution is not feasible. Further, due to the complexity of any plan that requires changes to property taxes, a solution requires sufficient lead time to align local levy and state property tax revisions with school year allocations in the state budget.

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

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

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

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

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

(c) State property taxes and local levies. The state must enact new laws governing local levy collections, including local levy bases, rates, or lids, with reductions to local levies offset by changes to the state property tax that are revenue-neutral on a statewide basis. The new local levy system must eliminate the practice of "grandfathering" levy formulas based on outdated historical funding formulas.

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

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

**PART I**

**WASHINGTON EDUCATION FUNDING COUNCIL**

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

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

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

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

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

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

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

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

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

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

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

(3) As provided in sections 201 and 203 of this act, the council shall submit reports to the governor and the legislature detailing its recommendations, including recommendations for resolving issues or decisions requiring legislative action during the 2016 and 2017 legislative sessions, and recommendations for any funding necessary to complete development and implementation of chapter 548, Laws of 2009. The recommendations must also include the technical details for implementing the recommendations.

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

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

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

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

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

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

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

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

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

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

(2) The technical working group or groups may include representatives of the legislative evaluation and accountability program committee, school district and educational service district financial managers, the Washington association of school business officers, the Washington education association, the Washington association of school administrators, the association of Washington school principals, the Washington state school directors' association, the public school employees of Washington, and other interested stakeholders with expertise in education finance or state revenue.

**PART II**

**SCHEDULE FOR COUNCIL RECOMMENDATIONS AND LEGISLATIVE ENACTMENTS**

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

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

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

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

(b) Research describing, and quantifying if possible, other factors that affect TRI and other supplemental contracts including, but not limited to: Difficulty of attracting staff to particular schools or programs, collective bargaining laws and practices, local compensation philosophy, local cost-of-living differences, and community expectations;

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

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

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

(6) Recommendations on policies for levy equalization.

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

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

(2) Establishes preliminary policy guidance for the amount of and mechanisms for state allocations for health insurance benefits for state-funded school district employees. The legislation must consider the work of the joint legislative audit and review committee under chapter 3, Laws of 2012 2nd sp. sess.;

(3) Effective September 1, 2018:

(a) Defines "enrichment";

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

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

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

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

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

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

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

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

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

NEW SECTION. **Sec.**  LEGISLATION TO BE ENACTED IN THE 2017 LEGISLATIVE SESSION. By June 30, 2017, the legislature must enact legislation that accomplishes the following:

(1) Enacts a new salary allocation model for the 2018-19 school year, which must include localization, and makes appropriations in the 2017-2019 operating budget for distribution to districts under this model;

(2) Beginning with the 2017-18 school year, establishes a statutory mechanism and appropriates funding for state allocations for health insurance benefits for state-funded employees, which may include a state-operated school employees' benefits board;

(3) Establishes state property tax rates and new bases, rates, or lids for local levies for collection beginning in calendar year 2018 or calendar year 2019, depending on any need for a transitional year in calendar year 2018. These changes to property tax rates must be revenue-neutral on a statewide basis; and

(4) Enacts formulas and makes appropriations for the program of levy equalization, beginning by calendar year 2019.

**PART III**

**TRANSPARENCY AND ACCOUNTABILITY**

**Sec.**  RCW 28A.300.173 and 2010 c 236 s 12 are each amended to read as follows:

(1) The office of the superintendent of public instruction shall implement and maintain an internet-based portal that provides ready public access to the state's prototypical school funding model for basic education under RCW 28A.150.260.

(2) The portal must provide ((~~citizens~~)) the opportunity to view, for each local school building, the following:

(a) Staffing levels and other prototypical school funding elements that are assumed under the state funding formula((~~. The portal must also provide~~));

(b) A matrix displaying how individual school districts are deploying those same state resources through their allocation of staff and other resources to school buildings, so that citizens are able to compare the state assumptions to district allocation decisions for each local school building; and

(c) Beginning with the 2018-19 school year financial data, how local levy and other funds are expended to enhance the state-provided staffing levels and other prototypical school funding elements in RCW 28A.150.260.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(1) Notwithstanding any other provision of law, the superintendent of public instruction shall adopt such rules as will ensure proper budgetary procedures and practices, including monthly financial statements consistent with the provisions of RCW 43.09.200, and this chapter. By the 2018-19 school year, the rules shall require school districts to provide separate accounting of state, federal, and local revenues and expenditures, and also separate accounting of basic education and nonbasic education expenditures.

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

(3) 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.**  RCW 28A.505.040 and 1995 c 121 s 1 are each amended to read as follows:

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

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

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

(b) School districts shall submit one copy of their budget and, beginning with the 2018-19 school year, the four-year budget projection summary and the four-year enrollment projection, to their educational service districts and the office of the superintendent of public instruction for review and comment by July 10th. The superintendent of public instruction may delay the date in this section if the state's operating budget is not finally approved by the legislature until after June 1st.

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

(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 or, beginning with the 2018-19 school year, the four-year budget projection summary and the four-year enrollment projection. ((~~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.**  RCW 28A.505.060 and 1990 c 33 s 418 are each amended to read as follows:

(1) On the date given in said 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 or, beginning with the 2018-19 school year, the four-year budget projection summary and the four-year enrollment projection.

(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 budget separately, and shall by resolution adopt the budget and the appropriations as so finally determined, and, beginning with the 2018-19 school year, enter the same in the official minutes of the board: PROVIDED, That first-class school districts shall file copies of their adopted budget with their educational service district no later than September 3rd, and second-class school districts shall forward copies of their adopted budget to their educational service district no later than August 3rd for review, alteration, and approval as provided for in RCW 28A.505.070 by the budget review committee.

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

(1) The budget shall set forth the estimated revenues for the ensuing fiscal year, the estimated revenues from all sources 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 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 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 shall set forth the state-funded salary amounts, locally funded salary amounts, total salary amounts, full-time equivalents((~~,~~)) for each individual certificated instructional staff, certificated administrative staff, and classified staff; and 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 salary under each budget class upon request.~~)) Additionally, the district's salary schedules shall be displayed.

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

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

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

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

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

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

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

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

**PART IV**

**ELIMINATING AND CORRECTING REFERENCES TO THE QUALITY EDUCATION COUNCIL**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(b) Providing joint funding;

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

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

(i) Research-based and promising practices;

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

(iii) Cultural competence.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(2)(a) In recognition of the statutory authority of the state board of education to establish and enforce minimum high school graduation requirements, the state board shall periodically reevaluate the graduation requirements and shall report such findings to the legislature in a timely manner as determined by the state board.

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

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

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

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

(a) The course was taken with high school students, if the academic level of the course exceeds the requirements for seventh and eighth grade classes, and the student has successfully passed by completing the same course requirements and examinations as the high school students enrolled in the class; or

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(8) The superintendent of public instruction, the state board of education, and the professional educator standards board((~~, and the quality education council~~)) shall work collaboratively with the educational opportunity gap oversight and accountability committee to close the achievement gap.

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

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

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

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

(b) How to account for labor market adjustments;

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

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

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

(f) Initial fiscal estimates for implementing the recommendations including a recognition that staff on the existing salary allocation model would have the option to grandfather in permanently to the existing schedule.

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

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

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

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

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

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

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

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

(1)RCW 28A.290.010 (Quality education council—Purpose—Membership and staffing—Reports) and 2013 2nd sp.s. c 25 s 7 & 2011 1st sp.s. c 21 s 54; and

(2)RCW 28A.290.020 (Funding formulas to support instructional program—Technical working group) and 2010 c 236 s 5 & 2009 c 548 s 112.

**PART V**

**MISCELLANEOUS PROVISIONS**

NEW SECTION. **Sec.**  EXPIRATION DATE FOR WASHINGTON EDUCATION FUNDING COUNCIL AND IMPLEMENTATION SCHEDULE. This chapter expires August 1, 2019.

NEW SECTION. **Sec.**  CODIFICATION. Sections 101 through 103, 201 through 204, and 501 of this act constitute a new chapter in Title 28A RCW.

NEW SECTION. **Sec.**  EFFECTIVE DATE. Section 307 of this act takes effect September 1, 2018.

NEW SECTION. **Sec.**  EMERGENCY CLAUSE. Sections 1, 101 through 103, and 201 through 204 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."

Correct the title.

EFFECT: **Schedule.** In general, the timing for the schedule of Washington Education Funding Council (Council) recommendations and legislative enactments is the same as Substitute House Bill No. 2239, with the new salary formulas for state-funded school district employees taking effect in the 2018-19 school year.

**Revenue basis of Council recommendations and legislative enactments.** The plan to fund increased state salary allocations for state-funded school district employees is based on increasing the state property tax while decreasing local levies. The plan must be revenue-neutral on a statewide basis.  References to carbon taxes and other taxes are removed.

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

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

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

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

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

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

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

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