
SENATE BILL 6109

State of Washington 64th Legislature 2015 Regular Session

By Senators Dammeier, Litzow, Hill, Fain, Becker, Rivers, King, Braun, Honeyford, Schoesler, and Sheldon

Read first time 04/16/15. Referred to Committee on Ways & Means.

1 AN ACT Relating to compliance with constitutional basic education
2 requirements; amending RCW 28A.150.410, 28A.400.200, 28A.405.415,
3 28A.235.120, 28A.320.330, 28A.400.250, 28A.505.140, 28A.625.110,
4 28A.625.150, 41.59.020, 41.59.170, 41.05.011, 41.05.021, 41.05.022,
5 41.05.026, 41.05.050, 41.05.055, 41.05.075, 41.05.130, 41.05.143,
6 41.05.670, 28A.400.270, 28A.400.275, 28A.400.280, 28A.400.350,
7 41.56.500, 41.59.105, 48.02.210, 28A.500.020, 43.09.265, and
8 84.52.065; reenacting and amending RCW 41.05.120, 84.52.0531,
9 28A.500.030, 28A.500.030, and 84.52.0531; adding new sections to
10 chapter 41.59 RCW; adding a new section to chapter 50.08 RCW; adding
11 a new section to chapter 41.05 RCW; creating new sections; repealing
12 RCW 44.28.157, 28A.340.040, 28A.400.201, 28A.400.205, 28A.400.206,
13 28A.405.200, and 41.59.940; providing effective dates; providing an
14 expiration date; and declaring an emergency.

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

16 NEW SECTION. **Sec. 1.** The legislature finds that Article IX,
17 section 1 of the Washington state Constitution provides, "It is the
18 paramount duty of the state to make ample provision for the education
19 of all children residing within its borders." The legislature
20 acknowledges that for the last thirty years the education policies
21 adopted by the legislature and the funding provided have not

1 fulfilled this obligation. The legislature finds that this has
2 resulted in the state allocation for educator salaries and benefits
3 not reflecting the actual cost of recruiting and retaining competent
4 teachers, which has caused school districts to subsidize salaries
5 with local levy funds. The legislature recognizes that this result is
6 unfair because it has created uneven access to a quality education
7 across the state and has negatively impacted Washington's students.

8 The legislature intends to improve fairness for students, create
9 greater stability for school districts and educators, and increase
10 equity in state funding of basic education across the state,
11 including reducing school levies, in a manner that fulfills the
12 state's paramount constitutional duty. To accomplish these goals, the
13 legislature intends to take the following actions, many of which
14 implement or modify the recommendations of the compensation technical
15 working group:

16 (1) Assume full responsibility for providing sufficient funds to
17 attract and retain competent teachers by using the state common
18 school levy and establishing a statewide salary schedule that school
19 districts must use to distribute salaries to certificated
20 instructional staff and educational staff associates;

21 (2) Phase in competitive wages for certificated instructional
22 staff beginning in the 2017-18 school year that are aligned with
23 state expectations for educator certification and recognize career
24 progression and enable school districts to recruit and retain
25 educators in the profession;

26 (3) Create a rational basis for the salary levels for educators
27 based on comparable occupations with similar knowledge, skills,
28 abilities, education, and training requirements;

29 (4) Maintain comparable wage levels for all state-funded K-12
30 administrative, instructional, and classified staff through the use
31 of a Washington cost-of-living adjustment and periodic wage analysis
32 of comparable occupations. If the analysis shows the salary is lower
33 than the market rate then it is raised to market rate; if the salary
34 is higher than the market rate then it remains level until the market
35 catches up;

36 (5) Reduce the overreliance on local levy funding by decreasing
37 the amount of levy funding school districts receive from their local
38 voters, limiting the use of local levy funds to only nonbasic
39 education enhancements, and enforcing the limitations for greater
40 accountability by requiring a separate accounting of basic education

1 and nonbasic education expenditures and detailed reviews of those
2 expenditures through state audits; and

3 (6) Preserves local effort assistance through the phase in of the
4 reduction to local levies and thereafter school districts will be
5 equalized to one-half the statewide median per pupil levy rate;

6 (7) Establish a school employees' benefits board as part of a
7 consolidated school district employees health benefits purchasing
8 program in the health care authority.

9 **PART I**

10 **COMPENSATION**

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

13 (1) The legislature shall establish for each school year in the
14 omnibus appropriations act a statewide salary ~~((allocation))~~
15 ~~schedule((, for allocation purposes only,))~~ to be used by school
16 districts to distribute state funds for basic education certificated
17 instructional staff salaries under RCW 28A.150.260. For the purposes
18 of this section, the staff ~~((allocations))~~ salaries for classroom
19 teachers, teacher librarians, guidance counselors, and student health
20 services staff under RCW 28A.150.260 are considered ~~((allocations))~~
21 salaries for certificated instructional staff.

22 (2) ~~((Salary allocations))~~ Salaries for state-funded basic
23 education certificated instructional staff shall be calculated by the
24 superintendent of public instruction by determining the district's
25 average salary for certificated instructional staff, using the
26 statewide salary ~~((allocation))~~ schedule and related documents,
27 conditions, and limitations established by the omnibus appropriations
28 act.

29 (3) ~~((Beginning January 1, 1992, no more than ninety college~~
30 ~~quarter hour credits received by any employee after the baccalaureate~~
31 ~~degree may be used to determine compensation allocations under the~~
32 ~~state salary allocation schedule and LEAP documents referenced in the~~
33 ~~omnibus appropriations act, or any replacement schedules and~~
34 ~~documents, unless:~~

35 ~~(a) The employee has a master's degree; or~~

36 ~~(b) The credits were used in generating state salary allocations~~
37 ~~before January 1, 1992.~~

1 ~~(4)~~) Beginning in the 2007-08 school year, the calculation of
 2 years of service for occupational therapists, physical therapists,
 3 speech-language pathologists, audiologists, nurses, social workers,
 4 counselors, and psychologists regulated under Title 18 RCW may
 5 include experience in schools and other nonschool positions as
 6 occupational therapists, physical therapists, speech-language
 7 pathologists, audiologists, nurses, social workers, counselors, or
 8 psychologists. The calculation shall be that one year of service in a
 9 nonschool position counts as one year of service for purposes of this
 10 chapter, up to a limit of two years of nonschool service. Nonschool
 11 years of service included in calculations under this subsection shall
 12 not be applied to service credit totals for purposes of any
 13 retirement benefit under chapter 41.32, 41.35, or 41.40 RCW, or any
 14 other state retirement system benefits.

15 (4)(a) Beginning in the 2017-18 school year through the 2018-19
 16 school year, a statewide salary schedule shall be phased in for
 17 certificated instructional staff to be used thereafter as specified
 18 in the omnibus appropriations act and based on the following
 19 framework:

Years of Experience	Residency/Initial		Professional/Continuing	
	Bachelor's Degree	Advanced Degree	Bachelor's Degree	Advanced Degree
<u>0</u>	<u>1.0000</u>	<u>1.0800</u>		
<u>1</u>				
<u>2</u>				
<u>3</u>				
<u>4</u>			<u>1.2000</u>	<u>1.2960</u>
<u>5</u>				
<u>6</u>				
<u>7</u>				
<u>8</u>				
<u>9 or more</u>			<u>1.4400</u>	<u>1.5520</u>

32 (b) The state must provide sufficient funding for a beginning
 33 certificated instructional staff member with an entry-level residency
 34 certificate to remain on a residency certificate for up to nine years
 35 at the same salary, although there are different levels of salary for
 36 residency certificate holders who have a bachelor's degree and those

1 who have an advanced degree. Salaries based on an advanced degree
2 must be only for those degrees that are relevant to the individual's
3 current or expected future assignments as locally determined by the
4 relevant school district.

5 (c) The school year after a certificated instructional staff
6 member obtains a professional certificate, the state must provide
7 sufficient funding to provide a salary increase. A minimum of three
8 years of experience is required to make the progression from the
9 residency certification to the professional certification.

10 (d) The state must provide sufficient funding to provide an
11 additional salary increase for a certificated instructional staff
12 member after nine years of experience with retention of the
13 professional/continuing certificate.

14 (e) The state must provide sufficient funding to provide a
15 localization factor applied to the base salary amounts as identified
16 in the omnibus appropriations act. The localization factor is
17 calculated annually by the Washington state employment security
18 department pursuant to this section.

19 (5) The office of the superintendent of public instruction and
20 the professional educator standards board must adopt rules to
21 implement the new statewide salary schedule.

22 (6) As the revised statewide salary allocation schedule in this
23 section is phased in beginning in the 2017-18 school year, if the
24 salary allocation schedule in effect for the 2016-17 school year
25 would provide a salary allocation for an individual certificated
26 instructional staff member greater than the salary allocation
27 schedule for the specified year in subsection (4) of this section,
28 then the allocation for the certificated instructional staff member
29 must be the allocation from the 2016-17 school year salary allocation
30 schedule.

31 **Sec. 102.** RCW 28A.400.200 and 2010 c 235 s 401 are each amended
32 to read as follows:

33 (1) Every school district board of directors shall ~~((fix, alter,~~
34 ~~allow, and order paid))~~ provide salaries and compensation for all
35 district employees in conformance with this section.

36 (2)(a) Salaries for all certificated instructional staff shall
37 ~~((not))~~ be ~~((less than))~~ the salary provided in the omnibus
38 appropriations act in the statewide salary ~~((allocation))~~ schedule

1 (~~for an employee with a baccalaureate degree and zero years of~~
2 ~~service; and~~

3 ~~(b) Salaries for certificated instructional staff with a master's~~
4 ~~degree 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 master's degree and zero years of service.~~

7 ~~(3)(a) The actual average salary paid to certificated~~
8 ~~instructional staff shall not exceed the district's average~~
9 ~~certificated instructional staff salary used for the state basic~~
10 ~~education allocations for that school year as determined pursuant to~~
11 ~~RCW 28A.150.410)).~~

12 (b) Fringe benefit contributions for certificated instructional
13 staff shall be included as salary under (a) of this subsection (~~only~~
14 ~~to the extent that the district's actual average benefit contribution~~
15 ~~exceeds the amount of the insurance benefits allocation provided per~~
16 ~~certificated instructional staff unit in the state operating~~
17 ~~appropriations act in effect at the time the compensation is~~
18 ~~payable)). For purposes of this section, fringe benefits shall not~~
19 ~~include payment to the health care authority pursuant to RCW~~
20 ~~41.05.050 for basic benefits, nor payment for unused leave for~~
21 ~~illness or injury under RCW 28A.400.210; or employer contributions~~
22 ~~for old age survivors insurance, workers' compensation, unemployment~~
23 ~~compensation, and retirement benefits under the Washington state~~
24 ~~retirement system(~~;~~ ~~or employer contributions for health benefits in~~~~
25 ~~excess of the insurance benefits allocation provided per certificated~~
26 ~~instructional staff unit in the state operating appropriations act in~~
27 ~~effect at the time the compensation is payable. A school district may~~
28 ~~not use state funds to provide employer contributions for such excess~~
29 ~~health benefits)).~~

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

34 (~~(4) Salaries and benefits~~) (3) School districts are authorized
35 to use local funds for enhancements outside of the program of basic
36 education, which may include providing an enhanced salary or benefit
37 for certificated instructional staff ((may)) that exceeds the
38 ((limitations in subsection (3) of this section only by separate
39 contract for additional time, for additional responsibilities, for
40 incentives, or for implementing specific measurable innovative

1 activities, including professional development, specified by the
2 school district to: (a) Close one or more achievement gaps, (b) focus
3 on development of science, technology, engineering, and mathematics
4 (STEM) learning opportunities, or (c) provide arts education.
5 Beginning September 1, 2011, school districts shall annually provide
6 a brief description of the innovative activities included in any
7 supplemental contract to the office of the superintendent of public
8 instruction. The office of the superintendent of public instruction
9 shall summarize the district information and submit an annual report
10 to the education committees of the house of representatives and the
11 senate. Supplemental contracts shall not cause the state to incur any
12 present or future funding obligation. Supplemental contracts shall be
13 subject to the collective bargaining provisions of chapter 41.59 RCW
14 and the provisions of RCW 28A.405.240, shall not exceed one year, and
15 if not renewed shall not constitute adverse change in accordance with
16 RCW 28A.405.300 through 28A.405.380. No district may enter into a
17 supplemental contract under this subsection for the provision of
18 services which are a part of the basic education program required by
19 Article IX, section 3 of the state Constitution.))

20 (5)) amounts provided under subsection (2) of this section but
21 only if the following limitations and conditions on the use of funds
22 are met:

23 (a) Must not be provided for any activity that is normally
24 associated with the basic education program required by Article IX of
25 the state Constitution, including any activity that supports students
26 to earn course credits or grades;

27 (b) Must be provided solely for nonbasic education activities
28 outside of the normal, regularly scheduled school day or year;

29 (c) Must be time-based and the individual's immediate supervisor
30 must certify to the superintendent of the school district that the
31 activity was done in the appropriate time and manner and was provided
32 in compliance with the limitations in this subsection;

33 (d) Must not cause the state to incur any present or future
34 funding obligation;

35 (e) Must not exceed one year and, if not renewed, must not
36 constitute adverse change in accordance with RCW 28A.405.300 through
37 28A.405.380;

38 (f) Must be separately accounted for by the school districts;

1 (g) Must be audited as part of the regular financial audits of
2 school districts by the state auditor's office to ensure compliance
3 with the limitations and conditions of this subsection; and

4 (h) May be collectively bargained.

5 (4)(a) The district-wide total compensation for certificated
6 administrative staff shall not exceed the total state allocation for
7 certificated administrative staff multiplied by the localization
8 factor calculated annually by the Washington state employment
9 security department pursuant to section 113 of this act.

10 (b) As additional state salary allocations are phased in for
11 classified administrative staff during the 2017-18 school year,
12 school district allocations shall be provided the greater of the
13 following:

14 (i) The increased statewide salary allocation as specified in the
15 omnibus appropriations act for school year 2017-18; or

16 (ii) The school district's salary allocation as provided in the
17 2016-17 school year.

18 (5) The district-wide total compensation for classified staff
19 shall not exceed the total state allocation for classified staff
20 multiplied by the localization factor calculated annually by the
21 Washington state employment security department pursuant to section
22 113 of this act.

23 (6) Employee benefit plans offered by any district shall comply
24 with the requirements of chapter 41.05 RCW and RCW 28A.400.350
25 ((and)), 28A.400.275, and 28A.400.280.

26 **Sec. 103.** RCW 28A.405.415 and 2013 2nd sp.s. c 5 s 4 are each
27 amended to read as follows:

28 (1) Certificated instructional staff who have attained
29 certification from the national board for professional teaching
30 standards shall receive a bonus each year in which they maintain the
31 certification. The bonus shall be calculated as follows: The annual
32 bonus shall be five thousand dollars in the 2007-08 school year.
33 Thereafter, the annual bonus shall increase by inflation, except that
34 the bonus shall not be increased during the 2013-14 and 2014-15
35 school years.

36 (2) Certificated instructional staff who have attained
37 certification from the national board for professional teaching
38 standards shall be eligible for bonuses in addition to that provided
39 by subsection (1) of this section if the individual is in an

1 instructional assignment in a school in which at least seventy
2 percent of the students qualify for the free and reduced-price lunch
3 program.

4 (3) The amount of the additional bonus under subsection (2) of
5 this section for those meeting the qualifications of subsection (2)
6 of this section is five thousand dollars.

7 (4) The bonuses provided under this section are in addition to
8 compensation received under ~~((a district's))~~ the state's salary
9 schedule adopted in accordance with RCW ~~((28A.405.200 and shall not
10 be included in calculations of a district's average salary and
11 associated salary limitations under RCW 28A.400.200.~~

12 ~~(5) The bonuses provided under this section))~~ 28A.150.410 and
13 shall be paid in a lump sum amount.

14 (5) The bonuses provided under this section shall not be
15 considered part of the program of basic education or the funding
16 necessary to comply with the state's Article IX constitutional duty.

17 **Sec. 104.** RCW 28A.235.120 and 2002 c 36 s 1 are each amended to
18 read as follows:

19 The directors of any school district may establish, equip and
20 operate meal programs in school buildings for pupils; certificated
21 and classified employees; volunteers; public agencies, political
22 subdivisions, or associations that serve public entities while using
23 school facilities; other local, state, or federal child nutrition
24 programs; and for school or employee functions: PROVIDED, That the
25 expenditures for food supplies shall not exceed the estimated
26 revenues from the sale of meals, federal aid, Indian education fund
27 lunch aid, or other anticipated revenue, including donations, to be
28 received for that purpose: PROVIDED FURTHER, That the directors of
29 any school district may provide for the use of kitchens and
30 lunchrooms or other facilities in school buildings to furnish meals
31 to elderly persons at cost as provided in RCW 28A.623.020: PROVIDED,
32 FURTHER, That the directors of any school district may provide for
33 the use of kitchens and lunchrooms or other facilities in school
34 buildings to furnish meals at cost as provided in RCW 28A.623.030 to
35 children who are participating in educational or training or care
36 programs or activities conducted by private, nonprofit organizations
37 and entities and to students who are attending private elementary and
38 secondary schools. Operation for the purposes of this section shall
39 include the employment and discharge for sufficient cause of

1 personnel necessary for preparation of food or supervision of
2 students during lunch periods and (~~fixing~~) providing their
3 compensation, payable from the district general fund, or entering
4 into agreement with a private agency for the establishment,
5 management, and/or operation of a food service program or any part
6 thereof.

7 **Sec. 105.** RCW 28A.320.330 and 2009 c 460 s 1 are each amended to
8 read as follows:

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

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

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

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

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

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

34 (a) Major renovation and replacement of facilities and systems
35 where periodical repairs are no longer economical or extend the
36 useful life of the facility or system beyond its original planned
37 useful life. Such renovation and replacement shall include, but shall
38 not be limited to, major repairs, exterior painting of facilities,
39 replacement and refurbishment of roofing, exterior walls, windows,

1 heating and ventilating systems, floor covering in classrooms and
2 public or common areas, and electrical and plumbing systems.

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

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

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

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

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

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

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

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

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

1 superintendent of public instruction shall develop accounting
2 guidelines for these transfers in accordance with internal revenue
3 service regulations.

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

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

22 (4) An associated student body fund as authorized by RCW
23 28A.325.030.

24 (5) Advance refunding bond funds and refunded bond funds to
25 provide for the proceeds and disbursements as authorized in chapter
26 39.53 RCW.

27 (6) A local revenue fund shall be established for the purpose of
28 accounting for the financial operations of a school district that are
29 paid for from local revenue. Money deposited into the local revenue
30 fund shall include, but not be limited to, proceeds from maintenance
31 and operations levies as authorized by RCW 84.52.053, and local
32 effort assistance payments from the state as authorized by RCW
33 84.52.0531. Expenditures from this fund shall be tracked separately
34 to account for the usage of local funds within a school district.

35 **Sec. 106.** RCW 28A.400.250 and 2010 c 41 s 1 are each amended to
36 read as follows:

37 (1) The board of directors of any school district, the Washington
38 state teachers' retirement system, the superintendent of public
39 instruction, and educational service district superintendents are

1 authorized to provide and pay for tax deferred annuities or regulated
2 company stock held in a custodial account for their respective
3 employees in lieu of a portion of salary or wages as authorized under
4 the provisions of 26 U.S.C. section 403(b), as amended by Public Law
5 87-370, 75 Stat. 796, as now or hereafter amended. As of the
6 effective date of this section, school districts are not authorized
7 to make, and must not make, employer contributions to plans
8 authorized by this section. The superintendent of public instruction
9 and educational service district superintendents, if eligible, may
10 also be provided with such options.

11 (2) At the request of at least five employees, the employees'
12 employer shall arrange for the:

13 (a) Purchase of tax deferred annuity contracts which meet the
14 requirements of 26 U.S.C. section 403(b), as now or hereafter
15 amended, for the employees from any company the employees may choose
16 that is authorized to do business in this state through a Washington-
17 licensed insurance agent that the employees may select; or

18 (b) Payment to a custodial account for investment in the stock of
19 a regulated investment company as defined in 26 U.S.C. section
20 403(b)(7)(c).

21 (3) Payroll deductions shall be made in accordance with the
22 arrangements for the purpose of paying the entire premium due and to
23 become due under the contracts. Employees' rights under the annuity
24 contract are nonforfeitable except for the failure to pay premiums.

25 (4) The board of directors of any school district, the Washington
26 state teachers' retirement system, the superintendent of public
27 instruction, and educational service district superintendents shall
28 not restrict, except as provided in this section, employees' right to
29 select the tax deferred annuity of their choice, the regulated
30 company stock held in a custodial account, or the agent, broker, or
31 company licensed by the state of Washington through which the tax
32 deferred annuity or regulated company stock is placed or purchased,
33 and shall not place limitations on the time or place that the
34 employees make the selection.

35 (5) The board of directors of any school district, the Washington
36 state teachers' retirement system, the superintendent of public
37 instruction, and educational service district superintendents may
38 each adopt rules regulating the sale of tax deferred annuities or
39 regulated company stock held in a custodial account which: (a)
40 Prohibit solicitation of employees for the purposes of selling tax

1 deferred annuities or regulated company stock held in a custodial
2 account on school premises during normal school hours; (b) only
3 permit the solicitation of tax deferred annuities or regulated
4 company stock held in a custodial account by agents, brokers, and
5 companies licensed by the state of Washington; and (c) require
6 participating companies to execute reasonable agreements protecting
7 the respective employers from any liability attendant to procuring
8 tax deferred annuities or regulated company stock held in a custodial
9 account.

10 **Sec. 107.** RCW 28A.505.140 and 2006 c 263 s 202 are each amended
11 to read as follows:

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

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

27 (3) The local school district, notwithstanding any other
28 provision of law, shall, within thirty days from the date the
29 superintendent of public instruction issues a notice pursuant to
30 subsection (2) of this section, submit a revised budget which meets
31 the requirements of RCW 43.09.200, this chapter, and the rules of the
32 superintendent of public instruction.

33 **Sec. 108.** RCW 28A.625.110 and 1990 c 33 s 519 are each amended
34 to read as follows:

35 The board of directors of the school district shall make the
36 final determination as to whether an employee suggestion award will
37 be made and shall determine the nature and extent of the award. The
38 award shall not be a regular or supplemental compensation program for

1 all employees and the suggestion must, in fact, result in actual
2 savings greater than the award amount. Any moneys which may be
3 awarded to an employee as part of an employee suggestion program
4 shall not be considered salary or compensation for the purposes of
5 RCW 28A.150.410 or 28A.400.200, or chapter 41.40 RCW.

6 **Sec. 109.** RCW 28A.625.150 and 1990 c 33 s 520 are each amended
7 to read as follows:

8 The board of directors of any school district may establish a
9 commendable employee service and recognition award program for
10 certificated and classified school employees. The program shall be
11 designed to recognize exemplary service, special achievements, or
12 outstanding contributions by an individual in the performance of his
13 or her duties as an employee of the school district. The board of
14 directors of the school district shall determine the extent and type
15 of any nonmonetary award. The value of any nonmonetary award shall
16 not be deemed salary or compensation for the purposes of RCW
17 28A.150.410 or 28A.400.200, or chapter 41.32 RCW.

18 **Sec. 110.** RCW 41.59.020 and 1989 c 11 s 11 are each amended to
19 read as follows:

20 As used in this chapter:

21 (1) The term "employee organization" means any organization,
22 union, association, agency, committee, council, or group of any kind
23 in which employees participate, and which exists for the purpose, in
24 whole or in part, of collective bargaining with employers.

25 (2) The term "collective bargaining" or "bargaining" means the
26 performance of the mutual obligation of the representatives of the
27 employer and the exclusive bargaining representative to meet at
28 reasonable times in light of the time limitations of the budget-
29 making process, and to bargain in good faith in an effort to reach
30 agreement with respect to the ((wages)) local funds used to provide
31 enhanced salaries or benefits in compliance with RCW 28A.400.200,
32 hours, and terms and conditions of employment: PROVIDED, That prior
33 law, practice or interpretation shall be neither restrictive,
34 expansive, nor determinative with respect to the scope of bargaining.
35 A written contract incorporating any agreements reached shall be
36 executed if requested by either party. The obligation to bargain does
37 not compel either party to agree to a proposal or to make a
38 concession.

1 In the event of a dispute between an employer and an exclusive
2 bargaining representative over the matters that are terms and
3 conditions of employment, the commission shall decide which item(s)
4 are mandatory subjects for bargaining and which item(s) are
5 nonmandatory.

6 (3) The term "commission" means the public employment relations
7 commission established by RCW 41.58.010.

8 (4) The terms "employee" and "educational employee" means any
9 certificated employee of a school district, except:

10 (a) The chief executive officer of the employer.

11 (b) The chief administrative officers of the employer, which
12 shall mean the superintendent of the district, deputy
13 superintendents, administrative assistants to the superintendent,
14 assistant superintendents, and business manager. Title variation from
15 all positions enumerated in this subsection (b) may be appealed to
16 the commission for determination of inclusion in, or exclusion from,
17 the term "educational employee".

18 (c) Confidential employees, which shall mean:

19 (i) Any person who participates directly on behalf of an employer
20 in the formulation of labor relations policy, the preparation for or
21 conduct of collective bargaining, or the administration of collective
22 bargaining agreements, except that the role of such person is not
23 merely routine or clerical in nature but calls for the consistent
24 exercise of independent judgment; and

25 (ii) Any person who assists and acts in a confidential capacity
26 to such person.

27 (d) Unless included within a bargaining unit pursuant to RCW
28 41.59.080, any supervisor, which means any employee having authority,
29 in the interest of an employer, to hire, assign, promote, transfer,
30 layoff, recall, suspend, discipline, or discharge other employees, or
31 to adjust their grievances, or to recommend effectively such action,
32 if in connection with the foregoing the exercise of such authority is
33 not merely routine or clerical in nature but calls for the consistent
34 exercise of independent judgment, and shall not include any persons
35 solely by reason of their membership on a faculty tenure or other
36 governance committee or body. The term "supervisor" shall include
37 only those employees who perform a preponderance of the above-
38 specified acts of authority.

39 (e) Unless included within a bargaining unit pursuant to RCW
40 41.59.080, principals and assistant principals in school districts.

1 (5) The term "employer" means any school district.

2 (6) The term "exclusive bargaining representative" means any
3 employee organization which has:

4 (a) Been selected or designated pursuant to the provisions of
5 this chapter as the representative of the employees in an appropriate
6 collective bargaining unit; or

7 (b) Prior to January 1, 1976, been recognized under a predecessor
8 statute as the representative of the employees in an appropriate
9 collective bargaining or negotiations unit.

10 (7) The term "person" means one or more individuals,
11 organizations, unions, associations, partnerships, corporations,
12 boards, committees, commissions, agencies, or other entities, or
13 their representatives.

14 (8) The term "nonsupervisory employee" means all educational
15 employees other than principals, assistant principals and
16 supervisors.

17 **Sec. 111.** RCW 41.59.170 and 1975 1st ex.s. c 288 s 18 are each
18 amended to read as follows:

19 (1) Whenever a collective bargaining agreement between an
20 employer and an exclusive bargaining representative is concluded
21 after the termination date of the previous collective bargaining
22 agreement between the employer and an employee organization
23 representing the same employees, the effective date of such
24 collective bargaining agreement may be the day after the termination
25 date of the previous collective bargaining agreement and all benefits
26 included in the new collective bargaining agreement, including (~~wage~~
27 ~~or salary increases~~) locally funded salary and benefit enhancements
28 in compliance with RCW 28A.400.200, may accrue beginning with such
29 effective date as established by this subsection, and may also accrue
30 beginning with the effective date of any individual employee
31 contracts affected thereby.

32 (2) Except as provided in section 114 of this act and RCW
33 28A.400.200, any collective bargaining agreement may provide for the
34 increase of any wages, salaries and other benefits during the term of
35 such agreement or the term of any individual employee contracts
36 concerned, in the event that the employer receives by increased
37 appropriation or from other sources, additional moneys for such
38 purposes.

1 NEW SECTION. **Sec. 112.** A new section is added to chapter 41.59
2 RCW to read as follows:

3 (1) After a tentative collective bargaining agreement between an
4 employer and an exclusive bargaining representative is achieved, the
5 agreement must be submitted to the Washington state auditor's office.
6 The state auditor must review the agreement and the school district's
7 financial statements to determine whether any local levy funds will
8 be expended for basic education purposes in violation of RCW
9 28A.400.200 or Article IX of the state Constitution. The agreement
10 shall be implemented only if the state auditor certifies that the
11 contract complies with the requirements of RCW 28A.400.200 and
12 Article IX of the state Constitution.

13 (2) The state auditor's regular financial audits of school
14 districts must include a review of the expenditure of local levy
15 funds to ensure they are not being expended for basic education
16 purposes. If the state auditor makes a finding that for two
17 consecutive financial audits a school district has used local funds
18 for basic education purposes then the district shall repay an equal
19 amount back to the state using the current year local levy revenue.
20 The school district may take no longer than five school years to
21 fully pay back the full amount to the state.

22 NEW SECTION. **Sec. 113.** A new section is added to chapter 50.08
23 RCW to read as follows:

24 (1) The legislature intends to ensure that statewide K-12
25 salaries keep pace with the wages of comparable occupations by
26 requiring that a comparable wage analysis be conducted every six
27 years by the Washington state employment security department. The
28 first analysis, including any recommendations for salary adjustments
29 based on the analysis, must be submitted to the governor and the
30 legislature by September 1, 2020. Subsequent reports shall be
31 submitted by July 1st every six years thereafter.

32 (2) The Washington state employment security department shall
33 annually submit to the governor and the appropriate legislative
34 committees a comparison of the comparable occupations by staffing
35 type and metropolitan statistical area. The data provided by this
36 report will be the basis for the localization factor provided in RCW
37 28A.150.410.

1 NEW SECTION. **Sec. 114.** A new section is added to chapter 41.59
2 RCW to read as follows:

3 (1) This act does not affect or impair any collective bargaining
4 agreements in effect on the effective date of this section between an
5 employer and an educational employee or employee organization under
6 this chapter.

7 (2) Any collective bargaining agreement entered into, modified,
8 reopened, or renewed after the effective date of this section shall
9 not provide an increase in salary or other compensation during the
10 2015-2017 biennium unless the additional compensation is expressly
11 provided by the legislature in the omnibus appropriations act.

12 (3) Any collective bargaining agreement entered into, modified,
13 reopened, or renewed after the effective date of this section shall
14 be consistent with sections 101 and 102 of this act.

15 NEW SECTION. **Sec. 115.** The legislature finds that:

16 (1) Each year, nearly one billion dollars in public funds are
17 spent on the purchase of employee insurance benefits for more than
18 two hundred thousand public school employees and their dependents;

19 (2) The purchase of such benefits is fragmented among two hundred
20 ninety-five local school districts and nine educational services
21 districts. Each district combines state funds received with local
22 levy moneys, federal funds, and other revenue sources to provide
23 insurance benefits either directly or through more than seven hundred
24 health plans offered by insurance carriers. This approach results in
25 expensive inefficiencies due to duplication of effort, fragmentation
26 of pools, and reduced market leverage for purchasing such benefits;

27 (3) There is a lack of transparency on how funds appropriated for
28 school employee benefits are used. The legislature is unable to
29 exercise appropriate oversight over the disposition of state funds
30 due to this lack of transparency; and

31 (4) Despite the past legislature's intent that school districts
32 pool state benefit allocations for the purpose of eliminating major
33 differences in out-of-pocket premium expenses for employees who do
34 and do not need coverage for dependents, current practices are
35 inconsistent with the stated intent. School districts and collective
36 bargaining agreements often place an unfair burden on employees with
37 dependents by requiring them to pay very large premium costs for
38 dependent coverage while imposing little or no premium charges on
39 employees purchasing employee-only coverage.

1 NEW SECTION. **Sec. 116.** The legislature intends to establish a
2 consolidated system for purchasing insurance benefits for school
3 employees and their dependents that:

4 (1) Assures equitable access to quality and affordable health
5 benefits for all eligible employees and their eligible dependents by
6 reducing variation in premium expenses for employees who do and do
7 not need coverage for dependents;

8 (2) Improves transparency of financial data to assure prudent and
9 efficient use of taxpayers' funds;

10 (3) Assures cost-effectiveness through pooling of small groups,
11 leveraged purchasing, administrative simplification, and efficient
12 utilization of resources to minimize duplication and rework;

13 (4) Ensures accountability to the taxpayers through timely use of
14 a competitive bidding process, consistent with procurement
15 requirements for the state, for the purchase of benefit plans from
16 the private insurance market;

17 (5) Enables shared responsibility through state, school district,
18 and employee participation in purchasing system governance and
19 statewide collective bargaining; and

20 (6) Retains local collective bargaining for benefits not
21 otherwise addressed in statewide collective bargaining or through the
22 board which includes representatives of school employee unions.

23 NEW SECTION. **Sec. 117.** A new section is added to chapter 41.05
24 RCW to read as follows:

25 (1) The school employees' benefits board is created within the
26 authority. The function of the board is to design and approve
27 insurance benefit plans for school employees and to establish
28 eligibility criteria for participation in insurance benefit plans.

29 (2) By September 30, 2015, the governor shall appoint the
30 following voting members to the board as follows:

31 (a) Two members from associations representing certificated
32 employees;

33 (b) Two members from associations representing classified
34 employees;

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

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

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

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

7 (5) The director of the authority or his or her designee shall be
8 the chair and another member shall be selected by the board as vice
9 chair. The chair shall conduct meetings of the board. The vice chair
10 shall preside over meetings in the absence of the chair. The board
11 shall develop bylaws for the conduct of its business.

12 (6) The board shall:

13 (a) Study all matters connected with the provision of health
14 benefit plan coverage for eligible employees and their dependents on
15 the best basis possible with regard to the welfare of the employees;

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

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

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

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

26 (iv) Utilization review procedures to support cost-effective
27 benefits delivery;

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

30 (vi) Effective coordination of benefits; and

31 (vii) Minimum standards for insuring entities;

32 (c) Authorize premium contributions for an employee and the
33 employee's dependents in a manner that encourages the use of cost-
34 efficient health care systems.

35 (i) For full-time employees, the required employee contribution
36 for family coverage under a plan may not exceed three times the
37 required employee contribution for employee-only coverage.

38 (ii) Employer contributions for health benefits coverage for
39 part-time employees shall be pro-rated based on the percentage of a
40 full-time equivalent position worked by the employee;

1 (d) Determine the terms and conditions of employee and dependent
2 eligibility criteria, enrollment policies, and scope of coverage. At
3 a minimum, the eligibility criteria established by the board shall
4 address the following:

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

6 (ii) An employee must work at least one-half of a full-time
7 equivalent position to qualify for coverage; and

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

13 (e) Determine the terms and conditions of purchasing system
14 participation, consistent with this act, including establishment of
15 criteria for employing agencies and individual employees;

16 (f) Establish penalties to be imposed when the employing agency
17 fails to comply with established participation criteria; and

18 (g) Participate with the authority in the preparation of
19 specifications and selection of carriers contracted for health and
20 dental benefit plan coverage of eligible employees in accordance with
21 the criteria set forth in rules. To the extent possible, the board
22 shall leverage efficient purchasing by coordinating with the public
23 employees' benefits board.

24 (7) In carrying out its duties under subsection (6)(b) through
25 (g) of this section, the goal of the school employees' benefits board
26 is to provide high quality health, dental, and other benefit plans
27 for eligible employees and their eligible dependents at a cost
28 affordable to the districts, the employees, and the taxpayers of
29 Washington.

30 (8) The school employees' benefits board may establish standing
31 committees and ad hoc work groups to conduct research, engage
32 stakeholders, and make recommendations that support the work of the
33 board.

34 (9) By November 30, 2020, the authority shall review the benefit
35 plans provided through the school employees' benefits board, complete
36 an analysis of the benefits provided and the administration of the
37 benefits plans, and determine whether provisions in this act have
38 resulted in cost savings to the state. The authority shall submit a
39 report to the relevant legislative policy and fiscal committees
40 summarizing the results of the review and analysis.

1 **Sec. 118.** RCW 41.05.011 and 2013 c 2 s 306 are each amended to
2 read as follows:

3 The definitions in this section apply throughout this chapter
4 unless the context clearly requires otherwise.

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

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

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

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

14 (5) "Emergency service personnel killed in the line of duty"
15 means law enforcement officers and firefighters as defined in RCW
16 41.26.030, members of the Washington state patrol retirement fund as
17 defined in RCW 43.43.120, and reserve officers and firefighters as
18 defined in RCW 41.24.010 who die as a result of injuries sustained in
19 the course of employment as determined consistent with Title 51 RCW
20 by the department of labor and industries.

21 (6)(a) "Employee" for the public employees' benefits board
22 program includes all employees of the state, whether or not covered
23 by civil service; elected and appointed officials of the executive
24 branch of government, including full-time members of boards,
25 commissions, or committees; justices of the supreme court and judges
26 of the court of appeals and the superior courts; and members of the
27 state legislature. Pursuant to contractual agreement with the
28 authority, "employee" may also include: (~~(a)~~) (i) Employees of a
29 county, municipality, or other political subdivision of the state and
30 members of the legislative authority of any county, city, or town who
31 are elected to office after February 20, 1970, if the legislative
32 authority of the county, municipality, or other political subdivision
33 of the state seeks and receives the approval of the authority to
34 provide any of its insurance programs by contract with the authority,
35 as provided in RCW 41.04.205 and 41.05.021(1)(g); (~~(b)~~) (ii)
36 employees of employee organizations representing state civil service
37 employees, at the option of each such employee organization(~~, and,~~
38 ~~effective October 1, 1995, employees of employee organizations~~
39 ~~currently pooled with employees of school districts for the purpose~~
40 ~~of purchasing insurance benefits, at the option of each such employee~~

1 ~~organization; (e))~~; (iii) through December 31, 2016, employees of a
2 school district if the authority agrees to provide any of the school
3 districts' insurance programs by contract with the authority as
4 provided in RCW 28A.400.350; ~~((d))~~ (iv) employees of a tribal
5 government, if the governing body of the tribal government seeks and
6 receives the approval of the authority to provide any of its
7 insurance programs by contract with the authority, as provided in RCW
8 41.05.021(1) (f) and (g); ~~((e))~~ (v) employees of the Washington
9 health benefit exchange if the governing board of the exchange
10 established in RCW 43.71.020 seeks and receives approval of the
11 authority to provide any of its insurance programs by contract with
12 the authority, as provided in RCW 41.05.021(1) (g) and (n); and
13 ~~((f))~~ (vi) employees of a charter school established under chapter
14 28A.710 RCW. "Employee" does not include: Adult family homeowners;
15 unpaid volunteers; patients of state hospitals; inmates; employees of
16 the Washington state convention and trade center as provided in RCW
17 41.05.110; students of institutions of higher education as determined
18 by their institution; and any others not expressly defined as
19 employees under this chapter or by the authority under this chapter.

20 (b) Effective January 1, 2017, "employee" for the school
21 employees' benefits board program includes all employees of school
22 districts and educational service districts.

23 (7) "Employee group" means employees of a similar employment
24 type, such as administrative, represented classified, nonrepresented
25 classified, confidential, represented certificated, or nonrepresented
26 certificated, within a school district.

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

29 (b) "Employer" for the school employees' benefits board program
30 means school districts and educational service districts.

31 ~~((8))~~ (9)(a) "Employing agency" for the public employees'
32 benefits board program means a division, department, or separate
33 agency of state government, including an institution of higher
34 education; a county, municipality, ~~(school district, educational~~
35 ~~service district,~~) or other political subdivision; charter school;
36 and a tribal government covered by this chapter.

37 ~~((9))~~ (b) "Employing agency" for the school employees' benefits
38 board program means school districts and educational service
39 districts.

1 (10) "Faculty" means an academic employee of an institution of
2 higher education whose workload is not defined by work hours but
3 whose appointment, workload, and duties directly serve the
4 institution's academic mission, as determined under the authority of
5 its enabling statutes, its governing body, and any applicable
6 collective bargaining agreement.

7 ((+10+)) (11) "Flexible benefit plan" means a benefit plan that
8 allows employees to choose the level of health care coverage provided
9 and the amount of employee contributions from among a range of
10 choices offered by the authority.

11 ((+11+)) (12) "Insuring entity" means an insurer as defined in
12 chapter 48.01 RCW, a health care service contractor as defined in
13 chapter 48.44 RCW, or a health maintenance organization as defined in
14 chapter 48.46 RCW.

15 ((+12+)) (13) "Medical flexible spending arrangement" means a
16 benefit plan whereby state ((and public)) employees may reduce their
17 salary before taxes to pay for medical expenses not reimbursed by
18 insurance as provided in the salary reduction plan under this chapter
19 pursuant to 26 U.S.C. Sec. 125 or other sections of the internal
20 revenue code.

21 ((+13+)) (14) "Participant" means an individual who fulfills the
22 eligibility and enrollment requirements under the salary reduction
23 plan.

24 ((+14+)) (15) "Plan year" means the time period established by
25 the authority.

26 ((+15+)) (16) "Premium payment plan" means a benefit plan whereby
27 state and public employees may pay their share of group health plan
28 premiums with pretax dollars as provided in the salary reduction plan
29 under this chapter pursuant to 26 U.S.C. Sec. 125 or other sections
30 of the internal revenue code.

31 ((+16+)) (17) "Retired or disabled school employee" means:

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

35 (b) Persons who separate from employment with a school district,
36 educational service district, or charter school on or after October
37 1, 1993, and immediately upon separation receive a retirement
38 allowance under chapter 41.32, 41.35, or 41.40 RCW;

39 (c) Persons who separate from employment with a school district,
40 educational service district, or charter school due to a total and

1 permanent disability, and are eligible to receive a deferred
2 retirement allowance under chapter 41.32, 41.35, or 41.40 RCW.

3 ~~((17))~~ (18) "Salary" means a state employee's monthly salary or
4 wages.

5 ~~((18))~~ (19) "Salary reduction plan" means a benefit plan
6 whereby state and public employees may agree to a reduction of salary
7 on a pretax basis to participate in the dependent care assistance
8 program, medical flexible spending arrangement, or premium payment
9 plan offered pursuant to 26 U.S.C. Sec. 125 or other sections of the
10 internal revenue code.

11 ~~((19))~~ (20) "School employees' benefits board" means the board
12 established in section 117 of this act.

13 (21) "School employees' benefits board participating
14 organization" means a public school district or educational service
15 district that participates in benefit plans provided by the school
16 employees' benefits board.

17 (22) "Seasonal employee" means ~~((an))~~ a state employee hired to
18 work during a recurring, annual season with a duration of three
19 months or more, and anticipated to return each season to perform
20 similar work.

21 ~~((20))~~ (23) "Separated employees" means persons who separate
22 from employment with an employer as defined in:

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

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

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

26 and who are at least age fifty-five and have at least ten years of
27 service under the teachers' retirement system plan 3 as defined in
28 RCW 41.32.010(33), the Washington school employees' retirement system
29 plan 3 as defined in RCW 41.35.010, or the public employees'
30 retirement system plan 3 as defined in RCW 41.40.010.

31 ~~((21))~~ (24) "State purchased health care" or "health care"
32 means medical and health care, pharmaceuticals, and medical equipment
33 purchased with state and federal funds by the department of social
34 and health services, the department of health, the basic health plan,
35 the state health care authority, the department of labor and
36 industries, the department of corrections, the department of veterans
37 affairs, and local school districts.

38 ~~((22))~~ (25) "Tribal government" means an Indian tribal
39 government as defined in section 3(32) of the employee retirement
40 income security act of 1974, as amended, or an agency or

1 instrumentality of the tribal government, that has government offices
2 principally located in this state.

3 **Sec. 119.** RCW 41.05.021 and 2012 c 87 s 23 are each amended to
4 read as follows:

5 (1) The Washington state health care authority is created within
6 the executive branch. The authority shall have a director appointed
7 by the governor, with the consent of the senate. The director shall
8 serve at the pleasure of the governor. The director may employ a
9 deputy director, and such assistant directors and special assistants
10 as may be needed to administer the authority, who shall be exempt
11 from chapter 41.06 RCW, and any additional staff members as are
12 necessary to administer this chapter. The director may delegate any
13 power or duty vested in him or her by law, including authority to
14 make final decisions and enter final orders in hearings conducted
15 under chapter 34.05 RCW. The primary duties of the authority shall be
16 to: Administer (~~((state employees'))~~) insurance benefits (~~((and))~~) for
17 state employees, retired or disabled state and school employees, and
18 subject to school employees' benefits board direction, school
19 employees(~~('insurance benefits'))~~); administer the basic health plan
20 pursuant to chapter 70.47 RCW; administer the children's health
21 program pursuant to chapter 74.09 RCW; study state purchased health
22 care programs in order to maximize cost containment in these programs
23 while ensuring access to quality health care; implement state
24 initiatives, joint purchasing strategies, and techniques for
25 efficient administration that have potential application to all
26 state-purchased health services; and administer grants that further
27 the mission and goals of the authority. The authority's duties
28 include, but are not limited to, the following:

29 (a) To administer health care benefit programs for state
30 employees (~~((and))~~), retired or disabled state and school employees,
31 and subject to school employees' benefits board direction, school
32 employees as specifically authorized in RCW 41.05.065 and section 117
33 of this act and in accordance with the methods described in RCW
34 41.05.075, 41.05.140, and other provisions of this chapter;

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

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

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

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

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

14 (v) Development of data systems to obtain utilization data from
15 state purchased health care programs in order to identify cost
16 centers, utilization patterns, provider and hospital practice
17 patterns, and procedure costs, utilizing the information obtained
18 pursuant to RCW 41.05.031; and

19 (vi) In collaboration with other state agencies that administer
20 state purchased health care programs, private health care purchasers,
21 health care facilities, providers, and carriers:

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

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

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

32 (B) Through state health purchasing, reimbursement, or pilot
33 strategies, promote and increase the adoption of health information
34 technology systems, including electronic medical records, by
35 hospitals as defined in RCW 70.41.020(4), integrated delivery
36 systems, and providers that:

37 (I) Facilitate diagnosis or treatment;

38 (II) Reduce unnecessary duplication of medical tests;

39 (III) Promote efficient electronic physician order entry;

1 (IV) Increase access to health information for consumers and
2 their providers; and

3 (V) Improve health outcomes;

4 (C) Coordinate a strategy for the adoption of health information
5 technology systems using the final health information technology
6 report and recommendations developed under chapter 261, Laws of 2005;

7 (c) To analyze areas of public and private health care
8 interaction;

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

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

17 (f) To review and approve or deny the application when the
18 governing body of a tribal government applies to transfer their
19 employees to an insurance or self-insurance program administered
20 under this chapter. In the event of an employee transfer pursuant to
21 this subsection (1)(f), members of the governing body are eligible to
22 be included in such a transfer if the members are authorized by the
23 tribal government to participate in the insurance program being
24 transferred from and subject to payment by the members of all costs
25 of insurance for the members. The authority shall: (i) Establish the
26 conditions for participation; (ii) have the sole right to reject the
27 application; and (iii) set the premium contribution for approved
28 groups as outlined in RCW 41.05.050. Approval of the application by
29 the authority transfers the employees and dependents involved to the
30 insurance, self-insurance, or health care program approved by the
31 authority;

32 (g) To ensure the continued status of the employee insurance or
33 self-insurance programs administered under this chapter as a
34 governmental plan under section 3(32) of the employee retirement
35 income security act of 1974, as amended, the authority shall limit
36 the participation of employees of a county, municipal, school
37 district, educational service district, or other political
38 subdivision, the Washington health benefit exchange, or a tribal
39 government, including providing for the participation of those
40 employees whose services are substantially all in the performance of

1 essential governmental functions, but not in the performance of
2 commercial activities;

3 (h) To establish billing procedures and collect funds from school
4 districts in a way that minimizes the administrative burden on
5 districts;

6 (i) Through December 31, 2016, to publish and distribute to
7 nonparticipating school districts and educational service districts
8 by October 1st of each year a description of health care benefit
9 plans available through the authority and the estimated cost if
10 school districts and educational service district employees were
11 enrolled;

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

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

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

21 (i) Setting forth the criteria established by the board under RCW
22 41.05.065, and by the school employees' benefits board under section
23 117 of this act, for determining whether an employee is eligible for
24 benefits;

25 (ii) Establishing an appeal process in accordance with chapter
26 34.05 RCW by which an employee may appeal an eligibility
27 determination;

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

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

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

38 (iii) To enter into agreements with the department of social and
39 health services for administration of medical care services programs
40 under Titles XIX and XXI of the social security act. The agreements

1 shall establish the division of responsibilities between the
2 authority and the department with respect to mental health, chemical
3 dependency, and long-term care services, including services for
4 persons with developmental disabilities. The agreements shall be
5 revised as necessary, to comply with the final implementation plan
6 adopted under section 116, chapter 15, Laws of 2011 1st sp. sess.;

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

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

28 (n) To review and approve or deny the application from the
29 governing board of the Washington health benefit exchange to provide
30 state-sponsored insurance or self-insurance programs to employees of
31 the exchange. The authority shall (i) establish the conditions for
32 participation; (ii) have the sole right to reject an application; and
33 (iii) set the premium contribution for approved groups as outlined in
34 RCW 41.05.050.

35 (2) On and after January 1, 1996, the public employees' benefits
36 board and the school employees' benefits board beginning October 1,
37 2015, may implement strategies to promote managed competition among
38 employee health benefit plans. Strategies may include but are not
39 limited to:

40 (a) Standardizing the benefit package;

1 (b) Soliciting competitive bids for the benefit package;

2 (c) Limiting the state's contribution to a percent of the lowest
3 priced qualified plan within a geographical area;

4 (d) Monitoring the impact of the approach under this subsection
5 with regards to: Efficiencies in health service delivery, cost shifts
6 to subscribers, access to and choice of managed care plans statewide,
7 and quality of health services. The health care authority shall also
8 advise on the value of administering a benchmark employer-managed
9 plan to promote competition among managed care plans.

10 **Sec. 120.** RCW 41.05.022 and 1995 1st sp.s. c 6 s 3 are each
11 amended to read as follows:

12 (1) The health care authority is hereby designated as the single
13 state agent for purchasing health services.

14 (2) On and after January 1, 1995, at least the following state-
15 purchased health services programs shall be merged into a single,
16 community-rated risk pool: Health benefits for groups of employees of
17 school districts and educational service districts that voluntarily
18 purchase health benefits as provided in RCW 41.05.011 through
19 December 31, 2016; health benefits for state employees; health
20 benefits for eligible retired or disabled school employees not
21 eligible for parts A and B of medicare; and health benefits for
22 eligible state retirees not eligible for parts A and B of medicare.

23 (3) On and after January 1, 2017, health benefits for groups of
24 employees of school districts and educational service districts shall
25 be merged into a single, community-rated risk pool separate and
26 distinct from the pool described in subsection (2) of this section.

27 (4) By December 15, 2015, the health care authority, in
28 consultation with the public employees' benefits board and the school
29 employees' benefits board, shall submit to the appropriate committees
30 of the legislature a complete analysis of the most appropriate risk
31 pool for the retired and disabled school employees, to include at a
32 minimum an analysis of the size of the nonmedicare and medicare
33 retiree enrollment pools, the impacts on cost for state and school
34 district retirees of moving retirees from one pool to another, the
35 need for and the amount of an ongoing retiree subsidy allocation from
36 the active school employees, and the timing and suggested approach
37 for a transition from one risk pool to another.

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

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

5 (b) Require that a health care provider or a health care facility
6 that receives funds from a public program provide care to state
7 residents receiving a state subsidy who may wish to receive care from
8 them, and that an insuring entity that receives funds from a public
9 program accept enrollment from state residents receiving a state
10 subsidy who may wish to enroll with them;

11 (c) Strive to integrate purchasing for all publicly sponsored
12 health services in order to maximize the cost control potential and
13 promote the most efficient methods of financing and coordinating
14 services;

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

18 (e) Ensure the control of benefit costs under managed competition
19 by adopting rules to prevent employers from entering into an
20 agreement with employees or employee organizations when the agreement
21 would result in increased utilization in public employees' benefits
22 board or school employee benefits board plans or reduce the expected
23 savings of managed competition.

24 **Sec. 121.** RCW 41.05.026 and 2005 c 274 s 277 are each amended to
25 read as follows:

26 (1) When soliciting proposals for the purpose of awarding
27 contracts for goods or services, the (~~administrator~~) director
28 shall, upon written request by the bidder, exempt from public
29 inspection and copying such proprietary data, trade secrets, or other
30 information contained in the bidder's proposal that relate to the
31 bidder's unique methods of conducting business or of determining
32 prices or premium rates to be charged for services under terms of the
33 proposal.

34 (2) When soliciting information for the development, acquisition,
35 or implementation of state purchased health care services, the
36 (~~administrator~~) director shall, upon written request by the
37 respondent, exempt from public inspection and copying such
38 proprietary data, trade secrets, or other information submitted by
39 the respondent that relate to the respondent's unique methods of

1 conducting business, data unique to the product or services of the
2 respondent, or to determining prices or rates to be charged for
3 services.

4 (3) Actuarial formulas, statistics, cost and utilization data, or
5 other proprietary information submitted upon request of the
6 (~~administrator~~) director, board, school employees' benefits board,
7 or a technical review committee created to facilitate the
8 development, acquisition, or implementation of state purchased health
9 care under this chapter by a contracting insurer, health care service
10 contractor, health maintenance organization, vendor, or other health
11 services organization may be withheld at any time from public
12 inspection when necessary to preserve trade secrets or prevent unfair
13 competition.

14 (4) The board, school employees' benefits board, or a technical
15 review committee created to facilitate the development, acquisition,
16 or implementation of state purchased health care under this chapter,
17 may hold an executive session in accordance with chapter 42.30 RCW
18 during any regular or special meeting to discuss information
19 submitted in accordance with subsections (1) through (3) of this
20 section.

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

24 **Sec. 122.** RCW 41.05.050 and 2009 c 537 s 5 are each amended to
25 read as follows:

26 (1) Every: (a) Department, division, or separate agency of state
27 government; (b) county, municipal, school district, educational
28 service district, or other political subdivisions; and (c) tribal
29 governments as are covered by this chapter, shall provide
30 contributions to insurance and health care plans for its employees
31 and their dependents, the content of such plans to be determined by
32 the authority. Contributions, paid by the county, the municipality,
33 other political subdivision, or a tribal government for their
34 employees, shall include an amount determined by the authority to pay
35 such administrative expenses of the authority as are necessary to
36 administer the plans for employees of those groups, except as
37 provided in subsection (4) of this section.

38 (2) If the authority at any time determines that the
39 participation of a county, municipal, other political subdivision, or

1 a tribal government covered under this chapter adversely impacts
2 insurance rates for state employees, the authority shall implement
3 limitations on the participation of additional county, municipal,
4 other political subdivisions, or a tribal government.

5 (3) The contributions of any: (a) Department, division, or
6 separate agency of the state government; (b) county, municipal, or
7 other political subdivisions; (~~and~~) (c) any tribal government as
8 are covered by this chapter; and (d) school districts and educational
9 service districts, shall be set by the authority, subject to the
10 approval of the governor for availability of funds as specifically
11 appropriated by the legislature for that purpose. Insurance and
12 health care contributions for ferry employees shall be governed by
13 RCW 47.64.270.

14 (4)(a) Until January 1, 2017, the authority shall collect from
15 each participating school district and educational service district
16 an amount equal to the composite rate charged to state agencies, plus
17 an amount equal to the employee premiums by plan and family size as
18 would be charged to state employees, for groups of district employees
19 enrolled in authority plans. The authority may collect these amounts
20 in accordance with the district fiscal year, as described in RCW
21 28A.505.030.

22 (b) For all groups of district employees enrolling in authority
23 plans for the first time after September 1, 2003, and until January
24 1, 2017, the authority shall collect from each participating school
25 district an amount equal to the composite rate charged to state
26 agencies, plus an amount equal to the employee premiums by plan and
27 by family size as would be charged to state employees, only if the
28 authority determines that this method of billing the districts will
29 not result in a material difference between revenues from districts
30 and expenditures made by the authority on behalf of districts and
31 their employees. The authority may collect these amounts in
32 accordance with the district fiscal year, as described in RCW
33 28A.505.030.

34 (c) If the authority determines at any time that the conditions
35 in (b) of this subsection cannot be met, the authority shall offer
36 enrollment to additional groups of district employees on a tiered
37 rate structure until such time as the authority determines there
38 would be no material difference between revenues and expenditures
39 under a composite rate structure for all district employees enrolled
40 in authority plans.

1 (d) (~~The authority may charge districts a one-time set-up fee~~
2 ~~for employee groups enrolling in authority plans for the first time.~~

3 ~~(e))~~ Beginning January 1, 2017, all school districts and
4 educational service districts shall commence participation in the
5 school employees' benefits board program established under section
6 117 of this act. All school districts and educational service
7 districts, and all district employee groups participating in the
8 public employees' benefits board plans before January 1, 2017, shall
9 thereafter participate in the school employees' benefits board
10 program administered by the authority.

11 (e) For the purposes of this subsection:

12 (i) "District" means school district and educational service
13 district; and

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

16 (f) Notwithstanding this subsection and RCW 41.05.065(4), the
17 authority may allow districts enrolled on a tiered rate structure
18 prior to September 1, 2002, and until January 1, 2017, to continue
19 participation based on the same rate structure and under the same
20 conditions and eligibility criteria.

21 (5) The authority shall transmit a recommendation for the amount
22 of the employer contribution to the governor and the director of
23 financial management for inclusion in the proposed budgets submitted
24 to the legislature.

25 **Sec. 123.** RCW 41.05.055 and 2009 c 537 s 6 are each amended to
26 read as follows:

27 (1) The public employees' benefits board is created within the
28 authority. The function of the board is to design and approve
29 insurance benefit plans for employees and to establish eligibility
30 criteria for participation in insurance benefit plans.

31 (2) The board shall be composed of nine members through December
32 31, 2016, and of eight members thereafter, appointed by the governor
33 as follows:

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

1 (b) Through December 31, 2016, two representatives of school
2 district employees, one of whom shall represent an association of
3 school employees as a nonvoting member, and one of whom is retired,
4 and represents an organized group of retired school employees.
5 Thereafter, and only while retired school employees are served by the
6 board, only the retired representative shall serve on the board;

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

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

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

15 (4)) The governor shall appoint the initial members of the board
16 to staggered terms not to exceed four years. Members appointed
17 thereafter shall serve two-year terms. Members of the board shall be
18 compensated in accordance with RCW 43.03.250 and shall be reimbursed
19 for their travel expenses while on official business in accordance
20 with RCW 43.03.050 and 43.03.060. The board shall prescribe rules for
21 the conduct of its business. The (~~administrator~~) director shall
22 serve as chair of the board. Meetings of the board shall be at the
23 call of the chair.

24 **Sec. 124.** RCW 41.05.075 and 2007 c 259 s 34 are each amended to
25 read as follows:

26 (1) The (~~administrator~~) director shall provide benefit plans
27 designed by the board and the school employees' benefits board
28 through a contract or contracts with insuring entities, through self-
29 funding, self-insurance, or other methods of providing insurance
30 coverage authorized by RCW 41.05.140. The process of contracting for
31 plans offered by the school employees' benefits board is subject to
32 oversight and direction by the school employees' benefits board.

33 (2) The (~~administrator~~) director, subject to school employees'
34 benefits board direction for plans offered to school employees, shall
35 establish a contract bidding process that:

36 (a) Encourages competition among insuring entities;

37 (b) Maintains an equitable relationship between premiums charged
38 for similar benefits and between risk pools including premiums
39 charged for retired state and school district employees under the

1 separate risk pools established by RCW 41.05.022 and 41.05.080 such
2 that insuring entities may not avoid risk when establishing the
3 premium rates for retirees eligible for medicare;

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

5 (d) Sets conditions for awarding contracts to any insuring
6 entity.

7 (3) School districts directly providing medical and dental
8 benefits plans and contracted insuring entities providing medical and
9 dental benefits plans to school districts on December 31, 2014, shall
10 provide the school employees' benefits board and authority specified
11 data by April 1, 2016, to support an initial benefits plans
12 procurement. At a minimum, the data must cover the period January 1,
13 2012, through October 31, 2015, and include:

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

17 (b) Aggregated subscriber and member demographic information,
18 including age band and gender, by insurance tier by month and by
19 benefit packages;

20 (c) Monthly total by benefit package, including premiums paid,
21 inpatient facility claims paid, outpatient facility claims paid,
22 physician claims paid, pharmacy claims paid, capitation amounts paid,
23 and other claims paid;

24 (d) A listing for calendar year 2014 of large claims defined as
25 annual amounts paid in excess of one hundred thousand dollars
26 including the amount paid, the member enrollment status, and the
27 primary diagnosis; and

28 (e) A listing of calendar year 2014 allowed claims by provider
29 entity.

30 Any data that may be confidential and contain personal health
31 information may be protected in accordance with a data-sharing
32 agreement.

33 (4) The (~~administrator~~) director shall establish a requirement
34 for review of utilization and financial data from participating
35 insuring entities on a quarterly basis.

36 ((+4)) (5) The (~~administrator~~) director shall centralize the
37 enrollment files for all employee and retired or disabled school
38 employee health plans offered under chapter 41.05 RCW and develop
39 enrollment demographics on a plan-specific basis.

1 (~~(5)~~) (6) All claims data shall be the property of the state.
2 The (~~administrator~~) director may require of any insuring entity
3 that submits a bid to contract for coverage all information deemed
4 necessary including:

5 (a) Subscriber or member demographic and claims data necessary
6 for risk assessment and adjustment calculations in order to fulfill
7 the (~~administrator's~~) director's duties as set forth in this
8 chapter; and

9 (b) Subscriber or member demographic and claims data necessary to
10 implement performance measures or financial incentives related to
11 performance under subsection (~~(7)~~) (8) of this section.

12 (~~(6)~~) (7) All contracts with insuring entities for the
13 provision of health care benefits shall provide that the
14 beneficiaries of such benefit plans may use on an equal participation
15 basis the services of practitioners licensed pursuant to chapters
16 18.22, 18.25, 18.32, 18.53, 18.57, 18.71, 18.74, 18.83, and 18.79
17 RCW, as it applies to registered nurses and advanced registered nurse
18 practitioners. However, nothing in this subsection may preclude the
19 (~~administrator~~) director from establishing appropriate utilization
20 controls approved pursuant to RCW 41.05.065(2) (a), (b), and (d).

21 (~~(7)~~) (8) The (~~administrator~~) director shall, in
22 collaboration with other state agencies that administer state
23 purchased health care programs, private health care purchasers,
24 health care facilities, providers, and carriers:

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

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

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

35 (b) Through state health purchasing, reimbursement, or pilot
36 strategies, promote and increase the adoption of health information
37 technology systems, including electronic medical records, by
38 hospitals as defined in RCW 70.41.020(4), integrated delivery
39 systems, and providers that:

40 (i) Facilitate diagnosis or treatment;

1 (ii) Reduce unnecessary duplication of medical tests;
2 (iii) Promote efficient electronic physician order entry;
3 (iv) Increase access to health information for consumers and
4 their providers; and

5 (v) Improve health outcomes;

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

9 ~~((+8))~~ The ~~((administrator))~~ director may permit the Washington
10 state health insurance pool to contract to utilize any network
11 maintained by the authority or any network under contract with the
12 authority.

13 **Sec. 125.** RCW 41.05.120 and 2005 c 518 s 921 and 2005 c 143 s 3
14 are each reenacted and amended to read as follows:

15 (1) The public employees' and retirees' insurance account is
16 hereby established in the custody of the state treasurer, to be used
17 by the ~~((administrator))~~ director for the deposit of contributions,
18 the remittance paid by school districts and educational service
19 districts under RCW 28A.400.410, reserves, dividends, and refunds,
20 for payment of premiums for employee and retiree insurance benefit
21 contracts and subsidy amounts provided under RCW 41.05.085, and
22 transfers from the ~~((medical))~~ flexible spending administrative
23 account as authorized in RCW 41.05.123. Moneys from the account shall
24 be disbursed by the state treasurer by warrants on vouchers duly
25 authorized by the ~~((administrator))~~ director. Moneys from the account
26 may be transferred to the ~~((medical))~~ flexible spending
27 administrative account to provide reserves and start-up costs for the
28 operation of the ~~((medical))~~ flexible spending administrative account
29 program.

30 (2) The state treasurer and the state investment board may invest
31 moneys in the public employees' and retirees' insurance account. All
32 such investments shall be in accordance with RCW 43.84.080 or
33 43.84.150, whichever is applicable. The ~~((administrator))~~ director
34 shall determine whether the state treasurer or the state investment
35 board or both shall invest moneys in the public employees' ~~((and~~
36 ~~retirees'))~~ and retirees' insurance account.

37 ~~((During the 2005-07 fiscal biennium, the legislature may~~
38 ~~transfer from the public employees' and retirees' insurance account~~
39 ~~such amounts as reflect the excess fund balance of the fund.))~~ The

1 school employees' insurance account is hereby established in the
2 custody of the state treasurer, to be used by the director for the
3 deposit of contributions, reserves, dividends, and refunds, for
4 payment of premiums for school employee insurance benefit contracts.
5 Moneys from the account shall be disbursed by the state treasurer by
6 warrants on vouchers duly authorized by the director.

7 (4) The state treasurer and the state investment board may invest
8 moneys in the school employees' insurance account. These investments
9 must be in accordance with RCW 43.84.080 or 43.84.150, whichever is
10 applicable. The director shall determine whether the state treasurer
11 or the state investment board or both shall invest moneys in the
12 school employees' insurance account.

13 **Sec. 126.** RCW 41.05.130 and 2014 c 221 s 914 are each amended to
14 read as follows:

15 (1) The state health care authority administrative account is
16 hereby created in the state treasury. Moneys in the account,
17 including unanticipated revenues under RCW 43.79.270, may be spent
18 only after appropriation by statute, and may be used only for
19 operating expenses of the authority, and during the 2013-2015 fiscal
20 biennium, for health care related analysis provided to the
21 legislature by the office of the state actuary.

22 (2) The school employees' insurance administrative account is
23 hereby created in the state treasury. Moneys in the account may be
24 used for operating, contracting, and other administrative expenses of
25 the authority in administration of the school employees insurance
26 program.

27 **Sec. 127.** RCW 41.05.143 and 2007 c 507 s 1 are each amended to
28 read as follows:

29 (1) The uniform medical plan benefits administration account is
30 created in the custody of the state treasurer. Only the
31 ~~((administrator))~~ director or the ~~((administrator's))~~ director's
32 designee may authorize expenditures from the account. Moneys in the
33 account shall be used exclusively for contracted expenditures for
34 uniform medical plan claims administration, data analysis,
35 utilization management, preferred provider administration, and
36 activities related to benefits administration where the level of
37 services provided pursuant to a contract fluctuate as a direct result
38 of changes in uniform medical plan enrollment. Moneys in the account

1 may also be used for administrative activities required to respond to
2 new and unforeseen conditions that impact the uniform medical plan,
3 but only when the authority and the office of financial management
4 jointly agree that such activities must be initiated prior to the
5 next legislative session.

6 (2) Receipts from amounts due from or on behalf of uniform
7 medical plan enrollees for expenditures related to benefits
8 administration, including moneys disbursed from the public employees'
9 and retirees' insurance account, shall be deposited into the account.
10 The account is subject to allotment procedures under chapter 43.88
11 RCW, but no appropriation is required for expenditures. All proposals
12 for allotment increases shall be provided to the house of
13 representatives appropriations committee and to the senate ways and
14 means committee at the same time as they are provided to the office
15 of financial management.

16 (3) The uniform dental plan benefits administration account is
17 created in the custody of the state treasurer. Only the
18 (~~administrator~~) director or the (~~administrator's~~) director's
19 designee may authorize expenditures from the account. Moneys in the
20 account shall be used exclusively for contracted expenditures related
21 to benefits administration for the uniform dental plan as established
22 under RCW 41.05.140. Receipts from amounts due from or on behalf of
23 uniform dental plan enrollees for expenditures related to benefits
24 administration, including moneys disbursed from the public employees'
25 and retirees' insurance account, shall be deposited into the account.
26 The account is subject to allotment procedures under chapter 43.88
27 RCW, but no appropriation is required for expenditures.

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

1 procedures under chapter 43.88 RCW, but an appropriation is not
2 required for expenditures.

3 (5) The school employees' benefits board medical benefits
4 administration account is created in the custody of the state
5 treasurer. Only the director or the director's designee may authorize
6 expenditures from the account. Moneys in the account shall be used
7 exclusively for contracted expenditures related to claims
8 administration, data analysis, utilization management, preferred
9 provider administration, and other activities related to benefits
10 administration for self-insured medical plans other than the uniform
11 medical plan. Receipts from amounts due from or on behalf of
12 enrollees for expenditures related to benefits administration,
13 including moneys disbursed from the school employees' insurance
14 account, shall be deposited into the account. The account is subject
15 to allotment procedures under chapter 43.88 RCW, but no appropriation
16 is required for expenditures.

17 (6) A self-insured dental plan benefits administration account is
18 created in the custody of the state treasurer. Only the director or
19 the director's designee may authorize expenditures from the account.
20 Moneys in the account shall be used exclusively for contracted
21 expenditures related to benefits administration for a self-insured
22 dental plan as established under RCW 41.05.140. Receipts from amounts
23 due from or on behalf of a self-insured dental plan enrollees for
24 expenditures related to benefits administration, including moneys
25 disbursed from the school employees' insurance account, shall be
26 deposited into the account. The account is subject to allotment
27 procedures under chapter 43.88 RCW, but no appropriation is required
28 for expenditures.

29 **Sec. 128.** RCW 41.05.670 and 2011 c 316 s 6 are each amended to
30 read as follows:

31 (1) Effective January 1, 2013, the authority must contract with
32 all of the public employees' benefits board managed care plans and
33 the self-insured plan or plans to include provider reimbursement
34 methods that incentivize chronic care management within health homes
35 resulting in reduced emergency department and inpatient use.

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

1 (3) For the purposes of this section, "chronic care
2 management((τ))" and "health home" have the same meaning as in RCW
3 74.09.010.

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

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

15 (6) The school employees' benefits board, under section 117 of
16 this act, shall implement the provisions of this section, effective
17 January 1, 2017.

18 **Sec. 129.** RCW 28A.400.270 and 1990 1st ex.s. c 11 s 4 are each
19 amended to read as follows:

20 Unless the context clearly requires otherwise, the definitions in
21 this section apply throughout RCW 28A.400.275 and 28A.400.280.

22 (1) "School district employee benefit plan" means the overall
23 plan used by the district for distributing fringe benefit subsidies
24 to employees, including the method of determining employee coverage
25 (~~and the amount of employer contributions, as well as the~~
26 ~~characteristics of benefit providers and the specific benefits or~~
27 ~~coverage offered)). It shall not include coverage offered to district~~
28 employees for which there is no contribution from public funds.

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

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

37 (4) "Benefit providers" include insurers, third party claims
38 administrators, direct providers of employee fringe benefits, health
39 maintenance organizations, health care service contractors, and the

1 Washington state health care authority or any plan offered by the
2 authority.

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

7 (6) "Group long-term disability insurance coverage" means long-
8 term disability insurance coverage provided for, at a minimum, all
9 full-time employees in a bargaining unit or all full-time
10 nonbargaining group employees.

11 **Sec. 130.** RCW 28A.400.275 and 2012 2nd sp.s. c 3 s 4 are each
12 amended to read as follows:

13 (1) Any contract or agreement for employee benefits executed
14 after April 13, 1990, between a school district and a benefit
15 provider or employee bargaining unit is null and void unless it
16 contains an agreement to abide by state laws relating to school
17 district employee benefits. The term of the contract or agreement may
18 not exceed one year.

19 (2) Through December 31, 2015, school districts and their benefit
20 providers shall annually submit, by a date determined by the office
21 of the insurance commissioner, the following information and data for
22 the prior calendar year to the office of the insurance commissioner:

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

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

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

29 (i) The financial plan structure and overall performance of each
30 health plan including:

31 (A) Total premium expenses;

32 (B) Total claims expenses;

33 (C) Claims reserves; and

34 (D) Plan administration expenses, including compensation paid to
35 brokers;

36 (ii) A description of the plan's use of innovative health plan
37 features designed to reduce health benefit premium growth and reduce
38 utilization of unnecessary health services including but not limited
39 to the use of enrollee health assessments or health coach services,

1 care management for high cost or high-risk enrollees, medical or
2 health home payment mechanisms, and plan features designed to create
3 incentives for improved personal health behaviors;

4 (iii) Data to provide an understanding of employee health benefit
5 plan coverage and costs, including: The total number of employees
6 and, for each employee, the employee's full-time equivalent status,
7 types of coverage or benefits received including numbers of covered
8 dependents, the number of eligible dependents, the amount of the
9 district's contribution to premium, additional premium costs paid by
10 the employee through payroll deductions, and the age and sex of the
11 employee and each dependent;

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

16 (A) A summary of the benefit packages offered to each group of
17 district employees, including covered benefits, employee deductibles,
18 coinsurance, and copayments, and the number of employees and their
19 dependents in each benefit package;

20 (B) Aggregated employee and dependent demographic information,
21 including age band and gender, by insurance tier and by benefit
22 package;

23 (C) Total claim payments by benefit package, including premiums
24 paid, inpatient facility claims paid, outpatient facility claims
25 paid, physician claims paid, pharmacy claims paid, capitation amounts
26 paid, and other claims paid;

27 (D) Total premiums paid by benefit package;

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

31 (F) After December 31, 2015, school districts shall submit such
32 data as required by the school employees' benefits board to
33 administer the consolidated purchasing of health services.

34 (3) (~~Annually~~) Through December 31, 2015, school districts and
35 their benefit providers shall jointly report to the office of the
36 insurance commissioner on their health insurance-related efforts and
37 achievements to:

38 (a) Significantly reduce administrative costs for school
39 districts;

40 (b) Improve customer service;

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

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

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

8 (5) Through December 31, 2015, any benefit provider offering a
9 benefit plan by contract or agreement with a school district under
10 subsection (1) of this section shall make available to the school
11 district the benefit plan descriptions and, where available, the
12 demographic information on plan subscribers that the district and
13 benefit provider are required to report to the office of the
14 insurance commissioner under this section. After December 31, 2015, a
15 benefit provider shall submit such data to the school employees'
16 benefits board.

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

19 (a) Carry out all actions required by the school employees'
20 benefits board and the health care authority under chapter 41.05 RCW
21 including, but not limited to, those necessary for the operation of
22 benefit plans, education of employees, claims administration, and
23 appeals process; and

24 (b) Report all data relating to employees eligible to participate
25 in benefits or plans administered by the school employees' benefits
26 board and the health care authority in a format designed and
27 communicated by the school employees' benefits board and the health
28 care authority.

29 **Sec. 131.** RCW 28A.400.280 and 2012 2nd sp.s. c 3 s 2 are each
30 amended to read as follows:

31 (1) Except as provided in subsection (2) of this section, school
32 districts may provide employer fringe benefit contributions after
33 October 1, 1990, only for basic benefits. However, school districts
34 may continue payments under contracts with employees or benefit
35 providers in effect on April 13, 1990, until the contract expires.

36 (2) School districts may provide employer contributions after
37 October 1, 1990, for optional benefit plans, in addition to basic
38 benefits(~~(, only for employees included in pooling arrangements under~~
39 ~~this subsection)). Optional benefits may include direct agreements as~~

1 defined in chapter 48.150 RCW, ~~((but))~~ and may ~~((not))~~ include
2 employee beneficiary accounts that can be liquidated by the employee
3 on termination of employment. Optional benefit plans may be offered
4 only if:

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

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

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

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

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

19 ~~((f))~~ (b) For part-time employees ~~((included in the pooling~~
20 ~~arrangement))~~, participation in optional benefit plans shall be
21 governed by the same eligibility criteria and/or proration of
22 employer contributions used for allocations for basic benefits.

23 (3) ~~((Savings accruing to school districts due to limitations on~~
24 ~~benefit options under this section shall be pooled and made available~~
25 ~~by the districts to reduce out-of-pocket premium expenses for~~
26 ~~employees needing basic coverage for dependents.))~~ School districts
27 are not intended to divert state basic benefit allocations for other
28 purposes.

29 **Sec. 132.** RCW 28A.400.350 and 2012 2nd sp.s. c 3 s 3 are each
30 amended to read as follows:

31 (1) The board of directors of any of the state's school districts
32 or educational service districts may make available medical, dental,
33 vision, liability, life, ~~((health, health care,))~~ accident,
34 disability, and salary protection or insurance, direct agreements as
35 defined in chapter 48.150 RCW, or any one of, or a combination of the
36 types of employee benefits enumerated in this subsection, or any
37 other type of insurance or protection, for the members of the boards
38 of directors, the students, and employees of the school district or
39 educational service district, and their dependents. Except as

1 provided in subsection (6) of this section, such coverage may be
2 provided by contracts or agreements with private carriers, with the
3 state health care authority (~~(after July 1, 1990, pursuant to the~~
4 ~~approval of the authority administrator)), or through self-insurance~~
5 or self-funding pursuant to chapter 48.62 RCW, or in any other manner
6 authorized by law. Any direct agreement must comply with RCW
7 48.150.050.

8 (2)(a) Whenever funds are available for these purposes the board
9 of directors of the school district or educational service district
10 may contribute all or a part of the cost of such protection or
11 insurance for the employees of their respective school districts or
12 educational service districts and their dependents. The premiums on
13 such liability insurance shall be borne by the school district or
14 educational service district.

15 (b) After October 1, 1990, school districts may not contribute to
16 any employee protection or insurance other than liability insurance
17 unless the district's employee benefit plan conforms to RCW
18 28A.400.275 and 28A.400.280.

19 (c) After December 31, 2016, school district contributions to any
20 employee insurance that is purchased through the health care
21 authority must conform to the requirements established by chapter
22 41.05 RCW and the school employees' benefits board.

23 (3) For school board members, educational service district board
24 members, and students, the premiums due on such protection or
25 insurance shall be borne by the assenting school board member,
26 educational service district board member, or student. The school
27 district or educational service district may contribute all or part
28 of the costs, including the premiums, of life, health, health care,
29 accident or disability insurance which shall be offered to all
30 students participating in interschool activities on the behalf of or
31 as representative of their school, school district, or educational
32 service district. The school district board of directors and the
33 educational service district board may require any student
34 participating in extracurricular interschool activities to, as a
35 condition of participation, document evidence of insurance or
36 purchase insurance that will provide adequate coverage, as determined
37 by the school district board of directors or the educational service
38 district board, for medical expenses incurred as a result of injury
39 sustained while participating in the extracurricular activity. In
40 establishing such a requirement, the district shall adopt regulations

1 for waiving or reducing the premiums of such coverage as may be
2 offered through the school district or educational service district
3 to students participating in extracurricular activities, for those
4 students whose families, by reason of their low income, would have
5 difficulty paying the entire amount of such insurance premiums. The
6 district board shall adopt regulations for waiving or reducing the
7 insurance coverage requirements for low-income students in order to
8 assure such students are not prohibited from participating in
9 extracurricular interschool activities.

10 (4) All contracts or agreements for insurance or protection
11 written to take advantage of the provisions of this section shall
12 provide that the beneficiaries of such contracts may utilize on an
13 equal participation basis the services of those practitioners
14 licensed pursuant to chapters 18.22, 18.25, 18.53, 18.57, and 18.71
15 RCW.

16 (5)(a) Until the creation of the school employees' benefits board
17 under section 117 of this act, school districts offering medical,
18 vision, and dental benefits shall:

19 ((+a)) (i) Offer a high deductible health plan option with a
20 health savings account that conforms to section 223, part VII of
21 subchapter 1 of the internal revenue code of 1986. School districts
22 shall comply with all applicable federal standards related to the
23 establishment of health savings accounts;

24 ((+b)) (ii) Make progress toward employee premiums that are
25 established to ensure that full family coverage premiums are not more
26 than three times the premiums for employees purchasing single
27 coverage for the same coverage plan, unless a subsequent premium
28 differential target is defined as a result of the review and
29 subsequent actions described in RCW 41.05.655;

30 ((+c)) (iii) Offer employees at least one health benefit plan
31 that is not a high deductible health plan offered in conjunction with
32 a health savings account in which the employee share of the premium
33 cost for a full-time employee, regardless of whether the employee
34 chooses employee-only coverage or coverage that includes dependents,
35 does not exceed the share of premium cost paid by state employees
36 during the state employee benefits year that started immediately
37 prior to the school year.

38 ((+6)) (b) All contracts or agreements for employee benefits
39 must be held to responsible contracting standards, meaning a fair,
40 prudent, and accountable competitive procedure for procuring services

1 that includes an open competitive process, except where an open
2 process would compromise cost-effective purchasing, with
3 documentation justifying the approach.

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

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

11 ~~((9))~~ (e) Upon notification from the office of the insurance
12 commissioner of a school district's substantial noncompliance with
13 the data reporting requirements of RCW 28A.400.275, and the failure
14 is due to the action or inaction of the school district, and if the
15 noncompliance has occurred for two reporting periods, the
16 superintendent is authorized and required to limit the school
17 district's authority provided in subsection (1) of this section
18 regarding employee health benefits to the provision of health benefit
19 coverage provided by the state health care authority.

20 (6) The authority to make available basic benefits to school
21 employees under this section expires December 31, 2016. Beginning
22 January 1, 2017, school districts and educational service districts
23 shall make available basic benefits through plans offered by the
24 health care authority and the school employees' benefits board.

25 **Sec. 133.** RCW 41.56.500 and 2010 c 235 s 802 are each amended to
26 read as follows:

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

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

35 (3) Employee bargaining shall be initiated after April 1, 2016,
36 over the dollar amount to be contributed for school employee health
37 benefits beginning July 1, 2017, on behalf of each employee for
38 health care benefits. Bargaining must be conducted in even-numbered
39 years between the governor or governor's designee and one coalition

1 of all the exclusive bargaining representatives impacted by benefit
2 purchasing with the school employees' benefits board established in
3 section 117 of this act, consistent with RCW 28A.400.280 and
4 28A.400.350. The coalition bargaining must follow the model initially
5 established for state employees in RCW 41.80.020. Any such provision
6 agreed to by the employer and the coalition must be included in all
7 master collective bargaining agreements negotiated by the parties.

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

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

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

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

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

1 **Sec. 134.** RCW 41.59.105 and 2010 c 235 s 803 are each amended to
2 read as follows:

3 (1) All collective bargaining agreements entered into between a
4 school district employer and school district employees under this
5 chapter after June 10, 2010, as well as bargaining agreements
6 existing on June 10, 2010, but renewed or extended after June 10,
7 2010, shall be consistent with RCW 28A.657.050.

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

11 (3) Employee bargaining shall be initiated after April 1, 2016,
12 over the dollar amount to be contributed beginning July 1, 2017, on
13 behalf of each employee for health care benefits. Bargaining must be
14 conducted in even-numbered years between the governor or governor's
15 designee and one coalition of all the exclusive bargaining
16 representatives impacted by benefit purchasing with the school
17 employees' benefits board established in section 117 of this act,
18 consistent with RCW 28A.400.280 and 28A.400.350. The coalition
19 bargaining must follow the model initially established for state
20 employees in RCW 41.80.020. Any such provision agreed to by the
21 employer and the coalition must be included in all master collective
22 bargaining agreements negotiated by the parties.

23 (4) The governor shall submit a request for funds necessary to
24 implement the master collective bargaining agreement for the dollar
25 amount to be expended for school employee health benefits, or for
26 legislation necessary to implement the agreement. A request for funds
27 shall not be submitted to the legislature by the governor unless such
28 request:

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

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

34 The legislature shall approve or reject the submission of the
35 request for funds as a whole. The legislature shall not consider a
36 request for funds to implement a master collective bargaining
37 agreement unless the request is transmitted to the legislature as
38 part of the governor's budget document submitted under RCW 43.88.030
39 and 43.88.060.

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

15 **Sec. 135.** RCW 48.02.210 and 2012 2nd sp.s. c 3 s 5 are each
16 amended to read as follows:

17 (1) For purposes of this section, "benefit provider" has the same
18 meaning as provided in RCW 28A.400.270.

19 (2)(a) By December 1, 2013, and December 1st of each year
20 thereafter through December 1, 2015, the commissioner shall submit a
21 report to the governor, the health care authority, and the
22 legislature on school district health insurance benefits. The report
23 shall be available to the public on the commissioner's web site. The
24 confidentiality of personally identifiable district employee data
25 shall be safeguarded consistent with the provisions of RCW
26 42.56.400(21).

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

30 (3) The commissioner shall collect data from school districts or
31 their benefit providers through December 1, 2015, as needed to
32 fulfill the requirements of this section. The commissioner may adopt
33 rules necessary to implement the data submission requirements under
34 this section and RCW 28A.400.275, including, but not limited to, the
35 format, timing of data reporting, data elements, data standards,
36 instructions, definitions, and data sources.

37 (4) In fulfilling the duties under chapter 3, Laws of 2012 2nd
38 sp. sess., the commissioner shall consult with school district
39 representatives to ensure that the data and reports from benefit

1 providers will give individual school districts sufficient
2 information to enhance districts' ability to understand, manage, and
3 seek competitive alternatives for health insurance coverage for their
4 employees.

5 (5) If the commissioner determines that a school district has not
6 substantially complied with the reporting requirements of RCW
7 28A.400.275, and the failure is due to the action or inaction of the
8 school district, the commissioner will inform the superintendent of
9 public instruction of the noncompliance.

10 (6) Data, information, and documents, other than those described
11 in subsection (2) of this section, that are provided by a school
12 district or an entity providing coverage pursuant to this section are
13 exempt from public inspection and copying under chapter 3, Laws of
14 2012 2nd sp. sess. and chapters 42.17A and 42.56 RCW.

15 (7) If a school district or benefit provider does not comply with
16 the data reporting requirements of this section or RCW 28A.400.275,
17 and the failure is due to the actions of an entity providing coverage
18 authorized under this title ((48—RCW)), the commissioner may take
19 enforcement actions under this chapter.

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

24 **PART II**

25 **SCHOOL DISTRICT EXCESS LEVIES AND LEVY EQUALIZATION**

26 **Sec. 201.** RCW 84.52.0531 and 2010 c 237 s 2 and 2010 c 99 s 11
27 are each reenacted and amended to read as follows:

28 The maximum dollar amount which may be levied by or for any
29 school district for maintenance and operation support under the
30 provisions of RCW 84.52.053 shall be determined as follows:

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

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

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

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

10 (c) Except for nonhigh districts under (d) of this subsection,
11 for districts in an interdistrict cooperative agreement, the
12 nonresident school district's maximum levy amount shall be reduced
13 and the resident school district's maximum levy amount shall be
14 increased by an amount equal to the per pupil basic education
15 allocation included in the nonresident district's levy base under
16 subsection (3) of this section multiplied by:

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

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

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

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

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

33 (3) For excess levies for collection in calendar year 1998 and
34 thereafter, a district's levy base shall be the sum of allocations in
35 (a) through (c) of this subsection received by the district for the
36 prior school year, including allocations for compensation increases,
37 plus the sum of such allocations multiplied by the percent increase
38 per full time equivalent student as stated in the state basic
39 education appropriation section of the biennial budget between the
40 prior school year and the current school year and divided by fifty-

1 five percent. A district's levy base shall not include local school
2 district property tax levies or other local revenues, or state and
3 federal allocations not identified in (a) through (c) of this
4 subsection.

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

7 (b) State and federal categorical allocations for the following
8 programs:

9 (i) Pupil transportation;

10 (ii) Special education;

11 (iii) Education of highly capable students;

12 (iv) Compensatory education, including but not limited to
13 learning assistance, migrant education, Indian education, refugee
14 programs, and bilingual education;

15 (v) Food services; and

16 (vi) Statewide block grant programs; and

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

20 (4)(a) A district's maximum levy percentage shall be twenty-four
21 percent in 2010 and twenty-eight percent in 2011 through 2017 and
22 twenty-four percent every year thereafter;

23 (b) For qualifying districts, in addition to the percentage in
24 (a) of this subsection the grandfathered percentage determined as
25 follows:

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

28 (ii) For 2011 through 2017, the percentage calculated as follows:

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

32 (B) Reduce the result of (b)(ii)(A) of this subsection by any
33 levy reduction funds as defined in subsection (5) of this section
34 that are to be allocated to the district for the current school year;

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

37 (D) Take the greater of zero or the percentage calculated in
38 (b)(ii)(C) of this subsection;

39 (iii) For 2018 and thereafter, the percentage shall be calculated
40 as follows:

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

4 (B) Reduce the result of (b)(iii)(A) of this subsection by any
5 levy reduction funds as defined in subsection (5) of this section
6 that are to be allocated to the district for the current school year;

7 (C) Divide the result of (b)(iii)(B) of this subsection by the
8 district's levy base; and

9 (D) Take the greater of zero or the percentage calculated in
10 (b)(iii)(C) of this subsection.

11 (5) "Levy reduction funds" shall mean increases in state funds
12 from the prior school year for programs included under subsection (3)
13 of this section: (a) That are not attributable to enrollment changes,
14 compensation increases, or inflationary adjustments; and (b) that are
15 or were specifically identified as levy reduction funds in the
16 appropriations act. If levy reduction funds are dependent on formula
17 factors which would not be finalized until after the start of the
18 current school year, the superintendent of public instruction shall
19 estimate the total amount of levy reduction funds by using prior
20 school year data in place of current school year data. Levy reduction
21 funds shall not include moneys received by school districts from
22 cities or counties.

23 (6) For the purposes of this section, "prior school year" means
24 the most recent school year completed prior to the year in which the
25 levies are to be collected.

26 (7) For the purposes of this section, "current school year" means
27 the year immediately following the prior school year.

28 (8) Funds collected from transportation vehicle fund tax levies
29 shall not be subject to the levy limitations in this section.

30 (9) The superintendent of public instruction shall develop rules
31 and regulations and inform school districts of the pertinent data
32 necessary to carry out the provisions of this section.

33 (10)(a) The superintendent of public instruction shall calculate
34 each school district's maximum levy revenue by calendar year. The
35 maximum levy revenue shall be reduced by the following:

36 (i) In calendar year 2018, budgeted allocations for K-12 salary
37 enhancements provided after August 31, 2017;

38 (ii) Beginning in calendar year 2019 and each year thereafter,
39 prior school year allocations for K-12 salary enhancements provided
40 after August 31, 2017.

1 (b) The reductions provided in this subsection (10) should only
2 be applied until a school district's levy rate reaches one dollar and
3 twenty-five cents.

4 (11) For purposes of this section, "maximum levy revenue" means
5 the lesser of a school district's voter-approved levy or maximum levy
6 authority calculated pursuant to this section.

7 **Sec. 202.** RCW 28A.500.030 and 2006 c 372 s 904 and 2006 c 119 s
8 1 are each reenacted and amended to read as follows:

9 Allocation of state matching funds to eligible districts for
10 local effort assistance shall be determined as follows:

11 (1) Funds raised by the district through maintenance and
12 operation levies shall be matched with state funds using the
13 following ratio of state funds to levy funds:

14 (a) The difference between the district's twelve percent levy
15 rate and the statewide average twelve percent levy rate; to

16 (b) The statewide average twelve percent levy rate.

17 (2) The maximum amount of state matching funds for districts
18 eligible for local effort assistance shall be the district's twelve
19 percent levy amount, multiplied by the following percentage:

20 (a) The difference between the district's twelve percent levy
21 rate and the statewide average twelve percent levy rate; divided by

22 (b) The district's twelve percent levy rate.

23 (3) Calendar year 2003 allocations and maximum eligibility under
24 this chapter shall be multiplied by 0.99.

25 (4) From January 1, 2004, to December 31, 2005, allocations and
26 maximum eligibility under this chapter shall be multiplied by 0.937.

27 (5) From January 1, 2006, to December 31, 2006, allocations and
28 maximum eligibility under this chapter shall be multiplied by 0.9563.
29 Beginning with calendar year 2007, allocations and maximum
30 eligibility under this chapter shall be fully funded at one hundred
31 percent and shall not be reduced.

32 (6) For calendar years 2018 and 2019, as increased salary
33 enhancements are phased in, school districts shall receive the
34 allocation provided in calendar year 2017, instead of the
35 calculations provided in this section.

36 **Sec. 203.** RCW 28A.500.020 and 1999 c 317 s 2 are each amended to
37 read as follows:

1 (1) Unless the context clearly requires otherwise, the
2 definitions in this section apply throughout this chapter.

3 (a) (~~("Prior tax collection year" means the year immediately~~
4 ~~preceding the year in which the local effort assistance shall be~~
5 ~~allocated))~~ "School district's prior school year's resident full-time
6 equivalent student enrollment" means the K-12 full-time equivalent
7 student enrollment of the students residing in the school district as
8 reported by the office of the superintendent of public instruction in
9 the prior school year to include resident charter school full-time
10 equivalent student enrollments for charter schools situated in the
11 district.

12 (b) "Statewide ((average twelve percent)) median per pupil levy
13 rate" means ((twelve percent of)) the total levy ((bases as defined
14 in RCW 84.52.0531(3)) at one dollar and twenty-five cents per
15 thousand dollars of the assessed valuation of all taxable property
16 within the state adjusted to the state equalized value in accordance
17 with the indicated ratio fixed by the department of revenue summed
18 for all school districts, and divided by the ((total assessed
19 valuation for excess levy purposes in the prior tax collection year
20 for all districts as adjusted to one hundred percent by the county
21 indicated ratio established in RCW 84.48.075)) prior school year's
22 statewide K-12 full-time equivalent student enrollment as reported by
23 the office of the superintendent of public instruction.

24 (c) (~~(The "district's twelve percent levy amount" means the~~
25 ~~school district's maximum levy authority after transfers determined~~
26 ~~under RCW 84.52.0531(2) (a) through (c) divided by the district's~~
27 ~~maximum levy percentage determined under RCW 84.52.0531(4) multiplied~~
28 ~~by twelve percent.~~

29 ~~(d))~~ The "district's ((twelve percent)) per pupil levy rate"
30 means the district's ((twelve percent)) total levy amount at one
31 dollar and twenty-five cents per thousand dollars of the assessed
32 valuation of all taxable property within the school district adjusted
33 to the state equalized value in accordance with the indicated ratio
34 fixed by the department of revenue divided by the school district's
35 ((assessed valuation for excess levy purposes for the prior tax
36 collection year as adjusted to one hundred percent by the county
37 indicated ratio)) prior school year's resident full-time equivalent
38 student enrollment.

39 ((e)) (d) "Districts eligible for local effort assistance"
40 means those districts levying one dollar and twenty-five cents per

1 one thousand dollars assessed value with a (~~twelve percent~~) per
2 pupil levy rate that (~~exceeds~~) is less than the statewide (~~average~~
3 ~~twelve percent~~) median per pupil levy rate.

4 (2) Unless otherwise stated all rates(~~, percents,~~) and amounts
5 are for the calendar year for which local effort assistance is being
6 calculated under this chapter.

7 **Sec. 204.** RCW 28A.500.030 and 2006 c 372 s 904 and 2006 c 119 s
8 1 are each reenacted and amended to read as follows:

9 Allocation of state matching funds to eligible districts for
10 local effort assistance shall be determined as follows:

11 (1) Funds raised by (~~the~~) eligible school districts through
12 maintenance and operation levies shall be matched with state funds
13 (~~using~~) by calculating the following (~~ratio of state funds to levy~~
14 ~~funds~~):

15 (~~a~~) The difference between the district's (~~twelve percent~~)
16 per pupil levy rate and the statewide (~~average twelve percent levy~~
17 ~~rate; to~~

18 ~~(b) The statewide average twelve percent levy rate~~) median per
19 pupil levy rate, which is then multiplied by the prior year's
20 resident full-time equivalent enrollment.

21 (2) The maximum amount of state matching funds for districts
22 eligible for local effort assistance shall be (~~the district's twelve~~
23 ~~percent levy amount, multiplied by the following percentage:~~

24 ~~(a) The difference between the district's twelve percent levy~~
25 ~~rate and the statewide average twelve percent levy rate; divided by~~

26 ~~(b) The district's twelve percent levy rate.~~

27 ~~(3) Calendar year 2003 allocations and maximum eligibility under~~
28 ~~this chapter shall be multiplied by 0.99.~~

29 ~~(4) From January 1, 2004, to December 31, 2005, allocations and~~
30 ~~maximum eligibility under this chapter shall be multiplied by 0.937.~~

31 ~~(5) From January 1, 2006, to December 31, 2006, allocations and~~
32 ~~maximum eligibility under this chapter shall be multiplied by 0.9563.~~
33 ~~Beginning with calendar year 2007, allocations and maximum~~
34 ~~eligibility under this chapter shall be fully funded at one hundred~~
35 ~~percent and shall not be reduced)~~ no more than the amount calculated
36 in subsection (1) of this section.

37 **Sec. 205.** RCW 84.52.0531 and 2010 c 237 s 2 and 2010 c 99 s 11
38 are each reenacted and amended to read as follows:

1 ~~(1) The maximum ((dollar)) amount which may be levied by or for~~
2 ~~any school district for maintenance and operation support under the~~
3 ~~provisions of RCW 84.52.053 beginning in calendar year 2020 shall be~~
4 ~~((determined as follows:~~

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

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

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

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

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

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

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

32 ~~(iii) The percent increase per full-time equivalent student as~~
33 ~~stated in the state basic education appropriation section of the~~
34 ~~biennial budget between the prior school year and the current school~~
35 ~~year divided by fifty five percent;~~

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

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

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

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

18 ~~(b) State and federal categorical allocations for the following~~
19 ~~programs:~~

20 ~~(i) Pupil transportation;~~

21 ~~(ii) Special education;~~

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

23 ~~(iv) Compensatory education, including but not limited to~~
24 ~~learning assistance, migrant education, Indian education, refugee~~
25 ~~programs, and bilingual education;~~

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

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

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

31 ~~(4)(a) A district's maximum levy percentage shall be twenty-four~~
32 ~~percent in 2010 and twenty-eight percent in 2011 through 2017 and~~
33 ~~twenty-four percent every year thereafter;~~

34 ~~(b) For qualifying districts, in addition to the percentage in~~
35 ~~(a) of this subsection the grandfathered percentage determined as~~
36 ~~follows:~~

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

39 ~~(ii) For 2011 through 2017, the percentage calculated as follows:~~

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

4 ~~(B) Reduce the result of (b)(ii)(A) of this subsection by any~~
5 ~~levy reduction funds as defined in subsection (5) of this section~~
6 ~~that are to be allocated to the district for the current school year;~~

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

9 ~~(D) Take the greater of zero or the percentage calculated in~~
10 ~~(b)(ii)(C) of this subsection;~~

11 ~~(iii) For 2018 and thereafter, the percentage shall be calculated~~
12 ~~as follows:~~

13 ~~(A) Multiply the grandfathered percentage for the prior year~~
14 ~~times the district's levy base determined under subsection (3) of~~
15 ~~this section;~~

16 ~~(B) Reduce the result of (b)(iii)(A) of this subsection by any~~
17 ~~levy reduction funds as defined in subsection (5) of this section~~
18 ~~that are to be allocated to the district for the current school year;~~

19 ~~(C) Divide the result of (b)(iii)(B) of this subsection by the~~
20 ~~district's levy base; and~~

21 ~~(D) Take the greater of zero or the percentage calculated in~~
22 ~~(b)(iii)(C) of this subsection.~~

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

35 ~~(6) For the purposes of this section, "prior school year" means~~
36 ~~the most recent school year completed prior to the year in which the~~
37 ~~levies are to be collected.~~

38 ~~(7) For the purposes of this section, "current school year" means~~
39 ~~the year immediately following the prior school year)) no more than~~
40 ~~one dollar and twenty-five cents per thousand dollars of assessed~~

1 value of all taxable property adjusted to the state equalized value
2 in accordance with the indicated ratio fixed by the department.

3 (2) Levy funds collected in subsection (1) of this section must
4 be used only for enhancement outside the program of basic education
5 as defined in RCW 28A.150.220.

6 ~~((+8))~~ (3) Funds collected from transportation vehicle fund tax
7 levies shall not be subject to the levy limitations in this section.

8 ~~((+9))~~ (4) The superintendent of public instruction shall
9 develop rules ~~((and regulations))~~ and inform school districts of the
10 pertinent data necessary to carry out the provisions of this section.

11 **Sec. 206.** RCW 43.09.265 and 1995 c 301 s 16 are each amended to
12 read as follows:

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

15 (2) The state auditor shall report to the office of the
16 superintendent of public instruction and the education and finance
17 committees of the legislature any findings of local school district
18 noncompliance with RCW 84.52.0531(2) within ninety days.

19 **PART III**

20 **STATE PROPERTY TAX OFFSET**

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

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

30 (2)(a) The state must levy for collection for the support of
31 common schools of the state a tax of:

32 (i) Two dollars and seventy cents in collection year 2018;

33 (ii) Three dollars and fifty cents in collection year 2019; and

34 (iii) Three dollars and sixty cents in collection year 2020.

35 (b) The rates in (a) of this subsection apply to the assessed
36 value upon the assessed valuation of all taxable property within the
37 state adjusted to the state equalized value in accordance with the

1 indicated ratio fixed by the department. The levies under (a) of this
2 subsection are not subject to RCW 84.55.010.

3 (3) As used in this section, "the support of common schools"
4 includes the payment of the principal and interest on bonds issued
5 for capital construction projects for the common schools.

6 **PART IV**
7 **REPEALERS**

8 NEW SECTION. Sec. 401. RCW 44.28.157 (School district health
9 benefits—Review—Recommendations—Performance grants—Report) and 2012
10 2nd sp.s. c 3 s 7 are each repealed.

11 NEW SECTION. Sec. 402. The following acts or parts of acts are
12 each repealed:

13 (1) RCW 28A.340.040 (Adoption of salary schedules—Computation of
14 fringe benefits) and 1990 c 33 s 369 & 1988 c 268 s 5;

15 (2) RCW 28A.400.201 (Enhanced salary allocation model for
16 educator development and certification—Technical working group—
17 Report and recommendation) and 2011 1st sp.s. c 43 s 468, 2010 c 236
18 s 7, & 2009 c 548 s 601;

19 (3) RCW 28A.400.205 (Cost-of-living increases for employees) and
20 2013 2nd sp.s. c 5 s 1, 2011 1st sp.s. c 18 s 1, 2009 c 573 s 1, 2003
21 1st sp.s. c 20 s 1, & 2001 c 4 s 2;

22 (4) RCW 28A.400.206 (Cost-of-living increases—Duty of state) and
23 2003 1st sp.s. c 20 s 2 & 2001 c 4 s 1;

24 (5) RCW 28A.405.200 (Annual salary schedules as basis for
25 salaries of certificated employees) and 1969 ex.s. c 283 s 1; and

26 (6) RCW 41.59.940 (Effective date—1975 1st ex.s. c 288) and 1990
27 c 33 s 572 & 1975 1st ex.s. c 288 s 26.

28 **PART V**
29 **MISCELLANEOUS PROVISIONS**

30 NEW SECTION. Sec. 501. Sections 115 through 135 and 401 of this
31 act take effect January 1, 2017.

32 NEW SECTION. Sec. 502. Sections 101 through 113 and 402 of this
33 act take effect September 1, 2017.

1 NEW SECTION. **Sec. 503.** Sections 201, 202, 206, and 301 of this
2 act take effect January 1, 2018.

3 NEW SECTION. **Sec. 504.** Sections 203 through 205 of this act
4 take effect January 1, 2020.

5 NEW SECTION. **Sec. 505.** Sections 201 and 202 of this act expire
6 January 1, 2020.

7 NEW SECTION. **Sec. 506.** Section 114 of this act is necessary for
8 the immediate preservation of the public peace, health, or safety, or
9 support of the state government and its existing public institutions,
10 and takes effect immediately.

11 NEW SECTION. **Sec. 507.** If any provision of this act or its
12 application to any person or circumstance is held invalid, the
13 remainder of the act or the application of the provision to other
14 persons or circumstances is not affected.

--- END ---