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HOUSE BILL 2965

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State of Washington

64th Legislature

2016 Regular Session

By Representatives Magendanz, Young, Muri, Rodne, Stokesbary, and Hargrove

Read first time 02/02/16. Referred to Committee on Appropriations.

1 AN ACT Relating to accountability and transparency in school  
2 district expenditures for the state's program of basic education and  
3 for local purposes; amending RCW 28A.300.173, 28A.320.330,  
4 28A.505.140, 28A.505.040, 28A.505.050, 28A.505.060, 28A.505.100,  
5 28A.400.200, and 43.09.265; adding a new section to chapter 28A.320  
6 RCW; adding a new section to chapter 43.09 RCW; and providing an  
7 effective date.

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

9 **Sec. 1.** RCW 28A.300.173 and 2010 c 236 s 12 are each amended to  
10 read as follows:

11 OFFICE OF THE SUPERINTENDENT OF PUBLIC INSTRUCTION PORTAL. (1)  
12 The office of the superintendent of public instruction shall  
13 implement and maintain an internet-based portal that provides ready  
14 public access to the state's prototypical school funding model for  
15 basic education under RCW 28A.150.260.

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

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

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

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

10       **Sec. 2.** RCW 28A.320.330 and 2009 c 460 s 1 are each amended to  
11 read as follows:

12       REQUIRED SCHOOL DISTRICT FUNDS. School districts shall establish  
13 the following funds in addition to those provided elsewhere by law:

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

17       (2) A capital projects fund shall be established for major  
18 capital purposes. All statutory references to a "building fund" shall  
19 mean the capital projects fund so established. Money to be deposited  
20 into the capital projects fund shall include, but not be limited to,  
21 bond proceeds, proceeds from excess levies authorized by RCW  
22 84.52.053, state apportionment proceeds as authorized by RCW  
23 28A.150.270, earnings from capital projects fund investments as  
24 authorized by RCW 28A.320.310 and 28A.320.320, and state forest  
25 revenues transferred pursuant to subsection (3) of this section.

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

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

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

37       (a) Major renovation and replacement of facilities and systems  
38 where periodical repairs are no longer economical or extend the  
39 useful life of the facility or system beyond its original planned

1 useful life. Such renovation and replacement shall include, but shall  
2 not be limited to, major repairs, exterior painting of facilities,  
3 replacement and refurbishment of roofing, exterior walls, windows,  
4 heating and ventilating systems, floor covering in classrooms and  
5 public or common areas, and electrical and plumbing systems.

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

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

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

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

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

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

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

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

35 (ii) Costs associated with the application and modernization of  
36 technology systems for operations and instruction including, but not  
37 limited to, the ongoing fees for online applications, subscriptions,  
38 or software licenses, including upgrades and incidental services, and  
39 ongoing training related to the installation and integration of these  
40 products and services. However, to the extent the funds are used for

1 the purpose under this subsection (2)(f)(ii), the school district  
2 shall transfer to the district's general fund the portion of the  
3 capital projects fund used for this purpose. The office of the  
4 superintendent of public instruction shall develop accounting  
5 guidelines for these transfers in accordance with internal revenue  
6 service regulations.

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

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

25 (4) An associated student body fund as authorized by RCW  
26 28A.325.030.

27 (5) Advance refunding bond funds and refunded bond funds to  
28 provide for the proceeds and disbursements as authorized in chapter  
29 39.53 RCW.

30 (6) By the 2018-19 school year, each school district must  
31 establish a local revenue fund for the purpose of accounting for the  
32 financial operations of a school district that are paid from levies  
33 or other local revenue. Money that districts must deposit into the  
34 local revenue fund include, but are not limited to, proceeds from  
35 maintenance and operations levies as authorized by RCW 84.52.053, and  
36 local effort assistance payments from the state as authorized by RCW  
37 84.52.0531. Districts must track expenditures from this fund  
38 separately to account for the usage of levies and other local  
39 revenues.

1       **Sec. 3.** RCW 28A.505.140 and 2006 c 263 s 202 are each amended to  
2 read as follows:

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

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

19       (3) The local school district, notwithstanding any other  
20 provision of law, shall, within thirty days from the date the  
21 superintendent of public instruction issues a notice pursuant to  
22 subsection (2) of this section, submit a revised budget which meets  
23 the requirements of RCW 43.09.200, this chapter, and the rules of the  
24 superintendent of public instruction.

25       **Sec. 4.** RCW 28A.505.040 and 1995 c 121 s 1 are each amended to  
26 read as follows:

27       SCHOOL DISTRICT BUDGET DEVELOPMENT AND PUBLICATION. On or before  
28 the tenth day of July in each year, all school districts shall  
29 prepare their budget for the ensuing fiscal year. The budget shall  
30 set forth the complete financial plan of the district for the ensuing  
31 fiscal year.

32       Beginning with the budget for the 2018-19 school year, a school  
33 district budget must include the development and update of a four-  
34 year budget projection that includes a four-year enrollment  
35 projection, and the completed budget must contain a summary of these  
36 projections.

37       Upon completion of their budgets, every school district shall  
38 electronically publish a notice stating that the district has  
39 completed the budget, posted it electronically, placed it on file in

1 the school district administration office, and that a copy thereof  
2 will be furnished to any person who calls upon the district for it.  
3 The district shall provide a sufficient number of copies of the  
4 budget to meet the reasonable demands of the public. School districts  
5 shall submit one copy of their budget to their educational service  
6 districts and the superintendent of public instruction for review and  
7 comment by July 10th. The superintendent of public instruction may  
8 delay the date in this section if the state's operating budget is not  
9 finally approved by the legislature until after June 1st.

10 **Sec. 5.** RCW 28A.505.050 and 1995 c 121 s 2 are each amended to  
11 read as follows:

12 NOTIFICATION OF SCHOOL DISTRICT BUDGET MEETINGS. (1) Upon  
13 completion of their budgets as provided in RCW 28A.505.040, every  
14 school district shall publish a notice stating that the board of  
15 directors will meet for the purpose of fixing and adopting the budget  
16 of the district for the ensuing fiscal year.

17 (2) Such notice shall designate the date, time, and place of said  
18 meeting which shall occur no later than the thirty-first day of  
19 August for first-class school districts, and the first day of August  
20 for second-class school districts.

21 (3) The notice shall also state that any person may appear  
22 ~~((thereat))~~ at the meeting and be heard for or against any part of  
23 such budget or, beginning with the 2018-19 school year, the four-year  
24 budget projection summary and the four-year enrollment projection.  
25 ~~((Said))~~ The notice shall be electronically published and published  
26 at least once each week for two consecutive weeks in a newspaper of  
27 general circulation in the district, or, if there be none, in a  
28 newspaper of general circulation in the county or counties in which  
29 such district is a part. The last notice shall be published no later  
30 than seven days immediately prior to the hearing.

31 **Sec. 6.** RCW 28A.505.060 and 1990 c 33 s 418 are each amended to  
32 read as follows:

33 SCHOOL DISTRICT BUDGET MEETINGS. (1) On the date given in said  
34 notice as provided in RCW 28A.505.050 the school district board of  
35 directors shall meet at the time and place designated. Any person may  
36 appear ~~((thereat))~~ at the meeting and be heard for or against any  
37 part of such budget or, beginning with the 2018-19 school year, the

1 four-year budget projection summary and the four-year enrollment  
2 projection.

3 (2) Such hearing may be continued not to exceed a total of two  
4 days: PROVIDED, That the budget must be adopted no later than August  
5 31st in first-class school districts, and not later than August 1st  
6 in second-class school districts.

7 (3) Upon conclusion of the hearing, the board of directors shall  
8 fix and determine the appropriation from each fund contained in the  
9 budget separately, and shall by resolution adopt the budget and the  
10 appropriations as so finally determined, and, beginning with the  
11 2018-19 school year, enter the same in the official minutes of the  
12 board: PROVIDED, That first-class school districts shall file copies  
13 of their adopted budget with their educational service district no  
14 later than September 3rd, and second-class school districts shall  
15 forward copies of their adopted budget to their educational service  
16 district no later than August 3rd for review, alteration, and  
17 approval as provided for in RCW 28A.505.070 by the budget review  
18 committee.

19 **Sec. 7.** RCW 28A.505.100 and 1990 c 33 s 420 are each amended to  
20 read as follows:

21 SCHOOL DISTRICT BUDGET FORMAT. (1) The budget shall set forth the  
22 estimated revenues for the ensuing fiscal year, the estimated  
23 revenues for the fiscal year current at the time of budget  
24 preparation, the actual revenues for the last completed fiscal year,  
25 and the reserved and unreserved fund balances for each year.  
26 Beginning September 1, 2018, the budget must set forth revenues  
27 separately by source. The estimated revenues from all sources for the  
28 ensuing fiscal year shall not include any revenue not anticipated to  
29 be available during that fiscal year: PROVIDED, That school  
30 districts, pursuant to RCW 28A.505.110 can be granted permission by  
31 the superintendent of public instruction to include as revenues in  
32 their budgets, receivables collectible in future fiscal years.

33 (2) Through the 2017-18 school year, the budget shall set forth  
34 by detailed items or classes the estimated expenditures for the  
35 ensuing fiscal year, the estimated expenditures for the fiscal year  
36 current at the time of budget preparation, and the actual  
37 expenditures for the last completed fiscal year. Total salary  
38 amounts, full-time equivalents, and the high, low, and average annual  
39 salaries, shall be displayed by job classification within each budget

1 classification. If individual salaries within each job classification  
2 are not displayed, districts shall provide the individual salaries  
3 together with the title or position of the recipient and the total  
4 amounts of salary under each budget class upon request. Salary  
5 schedules shall be displayed.

6 (3) Beginning with the 2018-19 school year, a school district's  
7 budget must set forth:

8 (a) By detailed items or classes and revenue source, the  
9 estimated expenditures for the ensuing fiscal year, the estimated  
10 expenditures for the fiscal year current at the time of budget  
11 preparation, and the actual expenditures for the last completed  
12 fiscal year;

13 (b) For each individual employee, the title or position, the  
14 salary amount paid as compensation for the state's program of basic  
15 education, any additional salary amount that is funded with local  
16 revenues or other sources, and total salary;

17 (c) The number of full-time equivalent employees by job  
18 classification within each budget classification;

19 (d) For each job classification, the high, low, and average  
20 salary amount paid as compensation for the state's program of basic  
21 education, and the high, low, and average salary amount paid as  
22 additional salary that is funded with local revenues or other  
23 sources; and

24 (e) The district's salary schedule.

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

30 NEW SECTION. Sec. 8. A new section is added to chapter 28A.320  
31 RCW to read as follows:

32 FOUR-YEAR BUDGET PROJECTIONS. Beginning with the 2018-19 school  
33 year, each school district is encouraged to annually use the four-  
34 year budget projection and the four-year enrollment projection  
35 developed under RCW 28A.505.040 to inform the school district's  
36 decisions regarding the district's instructional priorities and  
37 program offerings and to communicate this information to the local  
38 community.



1       **Sec. 9.** RCW 28A.400.200 and 2010 c 235 s 401 are each amended to  
2 read as follows:

3       COMPENSATION FOR STATE PROGRAM DEFINED—SUPPLEMENTAL CONTRACTS MAY  
4 NOT BE USED FOR SUCH COMPENSATION. (1) Every school district board of  
5 directors shall fix, alter, allow, and order paid salaries and  
6 compensation for all district employees in conformance with this  
7 section.

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

12       (b) Salaries for certificated instructional staff with a master's  
13 degree shall not be less than the salary provided in the  
14 appropriations act in the statewide salary allocation schedule for an  
15 employee with a master's degree and zero years of service.

16       (3)(a) The actual average salary paid to certificated  
17 instructional staff shall not exceed the district's average  
18 certificated instructional staff salary used for the state basic  
19 education allocations for that school year as determined pursuant to  
20 RCW 28A.150.410.

21       (b) Fringe benefit contributions for certificated instructional  
22 staff shall be included as salary under (a) of this subsection only  
23 to the extent that the district's actual average benefit contribution  
24 exceeds the amount of the insurance benefits allocation provided per  
25 certificated instructional staff unit in the state operating  
26 appropriations act in effect at the time the compensation is payable.  
27 For purposes of this section, fringe benefits shall not include  
28 payment for unused leave for illness or injury under RCW 28A.400.210;  
29 employer contributions for old age survivors insurance, workers'  
30 compensation, unemployment compensation, and retirement benefits  
31 under the Washington state retirement system; or employer  
32 contributions for health benefits in excess of the insurance benefits  
33 allocation provided per certificated instructional staff unit in the  
34 state operating appropriations act in effect at the time the  
35 compensation is payable. A school district may not use state funds to  
36 provide employer contributions for such excess health benefits.

37       (c) Salary and benefits for certificated instructional staff in  
38 programs other than basic education shall be consistent with the  
39 salary and benefits paid to certificated instructional staff in the  
40 basic education program.

1 (4) Salaries and benefits for certificated instructional staff  
2 may exceed the limitations in subsection (3) of this section only by  
3 separate contract for additional time, for additional  
4 responsibilities, for incentives, or for implementing specific  
5 measurable innovative activities, including professional development,  
6 specified by the school district to: (a) Close one or more  
7 achievement gaps, (b) focus on development of science, technology,  
8 engineering, and mathematics (STEM) learning opportunities, or (c)  
9 provide arts education. Beginning September 1, 2011, school districts  
10 shall annually provide a brief description of the innovative  
11 activities included in any supplemental contract to the office of the  
12 superintendent of public instruction. The office of the  
13 superintendent of public instruction shall summarize the district  
14 information and submit an annual report to the education committees  
15 of the house of representatives and the senate. Supplemental  
16 contracts shall not cause the state to incur any present or future  
17 funding obligation. Supplemental contracts shall be subject to the  
18 collective bargaining provisions of chapter 41.59 RCW and the  
19 provisions of RCW 28A.405.240, shall not exceed one year, and if not  
20 renewed shall not constitute adverse change in accordance with RCW  
21 28A.405.300 through 28A.405.380. (~~No district may enter into a  
22 supplemental contract under this subsection for the provision of  
23 services which are a part of the basic education program required by  
24 Article IX, section 3 of the state Constitution.~~)

25 (5) A district may not enter into a supplemental contract under  
26 subsection (4) of this section as compensation for the state's  
27 program of basic education. Compensation for the state's program of  
28 basic education is the salary and benefits necessary to hire and  
29 retain qualified staff to deliver the state's program of basic  
30 education as defined in the minimum instructional offering  
31 requirements of RCW 28A.150.220 and the staffing ratios in the  
32 prototypical school formula of RCW 28A.150.260. Compensation for the  
33 state's program of basic education excludes locally determined  
34 activities that exceed or enrich the minimum instructional offering  
35 requirements of RCW 28A.150.220 and the staffing ratios of RCW  
36 28A.150.260. Examples of such exclusions include, but are not limited  
37 to, extended school days, additional staff for class size reduction  
38 beyond class sizes allocated under the prototypical school model,  
39 course offerings beyond the minimum instructional program, and  
40 extracurricular activities. The superintendent of public instruction

1 is authorized to adopt rules to further define locally determined  
2 activities that are excluded from the state's program of basic  
3 education.

4 (6) Employee benefit plans offered by any district shall comply  
5 with RCW 28A.400.350 (~~and~~), 28A.400.275, and 28A.400.280.

6 NEW SECTION. Sec. 10. A new section is added to chapter 43.09  
7 RCW to read as follows:

8 AUDITOR REVIEWS OF EXPENDITURE OF LOCAL REVENUES. Beginning with  
9 the 2018-19 school year, to ensure that school district levy and  
10 other local revenues are not being expended as compensation for the  
11 state's program of basic education, the state auditor's regular  
12 financial audits of school districts must include a review of the  
13 expenditure of levy and other local revenues, including any  
14 supplemental contracts entered into under RCW 28A.400.200.

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

17 AUDITOR REPORTING ON SCHOOL DISTRICT NONCOMPLIANCE. (1) The state  
18 auditor shall review the tax levies of all local governments in the  
19 regular examinations under RCW 43.09.260.

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

26 NEW SECTION. Sec. 12. EFFECTIVE DATE. Section 9 of this act  
27 takes effect September 1, 2018.

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