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## Appropriations Committee

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### SSB 5607

**Brief Description:** Concerning education.

**Sponsors:** Senate Committee on Ways & Means (originally sponsored by Senators Braun, Rivers, Fain, Zeiger, Schoesler, Honeyford, Warnick, King, Brown, Angel, Wilson, Sheldon, Becker and Miloscia).

#### Brief Summary of Substitute Bill

- Replaces the state's prototypical school funding model with a new allocation method that is generally based on a flat per-pupil allocation of \$10,000 and that further adjusts each school district's allocations based on revenue collected in that district from a new state property tax.
- Replaces the state's categorical program funding formulas for special education, learning assistance, transitional bilingual and highly capable with per-pupil allocations and creates two new per-pupil categorical programs for vocational education and homeless students.
- Eliminates categorical funding for the pupil transportation program.
- Repeals Initiative 732 cost-of-living adjustments and Initiative 1351 class size reductions.
- Creates the state "Local Effort Levy," a new regular state property tax that is not subject to the 1 percent revenue growth limit and that is deposited in the Education Legacy Trust Account.
- Phases in the new Local Effort Levy to increase aggregate state property tax collections by \$0.45 per \$1,000 assessed value in calendar year 2018 and \$1.80 per \$1,000 assessed value in calendar year 2019.
- Requires the Legislature to prioritize Near-General Fund revenue growth to first fund the per-pupil formula and then to reduce the new Local Effort Levy to \$1.25 per \$1,000 assessed value.

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*This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.*

- Delays for one year changes to the formulas for calculating school districts' maximum maintenance and operation levy authority, and corresponding local effort assistance.
- Eliminates voter-approved excess maintenance and operation levies for calendar year 2019 and beginning in 2020 limits voter-approved excess levies to 10 percent of state and federal funding.
- Creates requirements related to paraeducator standards, certification, endorsements, education, and training; establishes a paraeducator board to administer rules related to paraeducators; and requires a study on the effectiveness of paraeducators in improving student outcomes.
- Makes numerous additional revisions to school district management, including changes to collective bargaining, teacher discipline and retention, school district accounting and reporting, and applicability of state laws to school districts.
- Submits most provisions of the bill to the voters for their approval or rejection at the next general election.

**Hearing Date:** 2/6/17

**Staff:** Jessica Harrell (786-7349).

**Background:**

The Washington State Constitution (Constitution) provides: “It is the paramount duty of the state to make ample provision for the education of all children residing within its borders. . .” The Washington Supreme Court (Court) has interpreted this to mean that the Legislature must define an instructional program of basic education for public schools and amply fund it from a regular and dependable source; and that the funding should reflect the actual costs of providing the legislatively defined instructional program of basic education.

Basic Education Funding Formulas.

*General Apportionment.* Legislation enacted in 2009 and 2010 redefined basic education and restructured the K-12 funding formulas. The first of these bills was Engrossed Substitute House Bill 2261 (Chapter 548, Laws of 2009), which expanded the definition of basic education and established the framework for a new K-12 funding allocation formula based on prototypical schools. The second bill, Substitute House Bill (SHB) 2776 (Chapter 236, Laws of 2010) enacted in statute the new prototypical school allocation formulas at funding levels that represented the 2009-10 school year state spending on basic education. Additionally, SHB 2776 called for phased-in implementation of specified enhancements to the basic education program and the funding to support it. Three of these four enhancements have been fully implemented, as of the 2016-17 school year: (1) specified increases in funding for materials, supplies, and operating costs (MSOC) by the 2015-16 school year; (2) full funding of the new pupil transportation formula; and (3) statewide implementation of all-day kindergarten, also by the 2017-18 school year. The fourth element, full funding of class size reductions for grades kindergarten through 3 (K-3), is scheduled to be fully implemented by the 2017-18 school year.

The prototypical school funding formula for basic education took effect September 1, 2011. The state's public school funding model allocates funding to school districts based on assumed levels of staff and other resources necessary to support a "prototypical" school that serves an assumed number of students at defined elementary, middle, and high schools levels. The use of prototypical schools is intended to illustrate the level of resources needed to operate a school of a particular size using commonly understood terms such as class size, hours of instruction, and specified staff positions.

The structure of the formula, which appears in statute, provides allocations for classroom teachers at an assumed class size, plus other building-level staff such as principals, teacher-librarians, counselors, and office support. Based on these staffing ratios, the state uses salary assumptions for each of the different staff types to generate state funding allocations, as discussed in more detail below. The allocations to a school district are adjusted to reflect the full-time equivalent enrolled students, in proportion to the prototypical school ratios. The funding provided to school districts through the prototypical school formulas is for allocation purposes only. Districts have discretion over how the money is spent, subject to some limits.

In addition to the school-specific staffing that is allocated through the prototypical school model, the state's funding formulas include per student allocations for materials, supplies and operating costs and additional support and instruction time through categorical program funding.

*Special education.* The special education program provides additional support for children with disabilities to ensure that all children have the opportunity for an appropriate education at public expense. The state allocates state funding for special education based on an excess cost model. For each special education student enrolled in grades K-12 in a school district, the state provides an additional allocation equal to 93.09 percent of the general apportionment allocation per student for that school district, up to a limit of 12.7 percent of the district's total enrollment. For qualifying special education students that are age 0 to pre-kindergarten, the state allocates 115 percent of the general apportionment allocation per student.

*Pupil Transportation.* The state's program of basic education includes transportation to and from school. Funding allocations for pupil transportation are based on a combination of prior year allocations and school district expenditures and a regression analysis of unique characteristics that are used to estimate the expected cost to transport students to and from school. Adjustments are made for any salary or fringe benefit adjustments that are provided in the budget. Additionally, allocations are provided for school bus purchases in the form of school bus depreciation payments.

*Learning Assistance Program.* The Learning Assistance Program (LAP) provides instructional support for students who are performing below grade level in reading, writing, and mathematics. The prototypical school formula allocates funding to support 2.3975 hours per week of supplemental instruction in a class of 15 students. The funding allocation is based on poverty as measured by the percentage of students in the school district who are eligible for free and reduced-price lunch, but school districts must use the LAP allocations to provide supplemental instruction for the students with the greatest academic deficits.

*Transitional Bilingual Instructional Program.* The Transitional Bilingual Instructional Program (TBIP) provides supplemental instruction and services for students whose primary language is

other than English and for additional supports for students to transition out of the program once they've demonstrated language proficiency. The prototypical school funding formula allocates funding to support 4.778 hours per week of supplemental instruction in a class of 15 students for each student eligible for and enrolled in the TBIP. The state also funds an additional three hours of supplemental instruction for up to two years immediately after the pupil has exited the program.

*Highly Capable Program.* The Highly Capable Program provides access to accelerated learning and enhanced instruction for districts' most highly capable students. The state allocates funding for an additional 2.159 hours of supplemental instruction per week, assuming a class size of 15 students. Allocations are based on 2.314 percent of each school district's enrollment.

#### School District Employee Compensation.

*State Allocations.* The state allocates funding for certificated instructional staff (CIS) salaries based on a "grid" which provides salary values that increase based on educational credit and years of service. Each district's CIS allocation is based on its "staff mix," that is, the distribution on the state salary grid of the CIS hired by the district. Funding to support salaries for the classified and administrative staff in the prototypical school funding formula is specified as a stated salary rate per state-funded staff person in the omnibus operating appropriations act.

*State Restrictions on CIS Salaries.* In general, state salary funding is for allocation purposes only, and school districts are not required to hire staff according to the prototypical school staffing formula, nor are they required to pay CIS salaries according to the state CIS salary grid. Instead, actual salaries are determined by each district's collective bargaining agreements. However, the state places some restrictions on actual salaries districts may pay for CIS. First, a district may not pay CIS less than the lowest salary on the state grid for a bachelor's or master's degree and zero years of service. Second, a district's actual average CIS salary may not exceed the district's actual average salary that is allocated under the state formula. Third, CIS salaries in the basic education program must be consistent with CIS salaries in other programs. Finally, CIS salaries may exceed these limits only by separate contract for additional time, responsibility, incentive, or innovation (TRII). Under the TRII restrictions, districts may not use supplemental contracts to pay for services that are part of the state's program of basic education.

*Salary Enhancements.* Engrossed Substitute House Bill 2261 expressed intent to enhance allocations for school district employee compensation by 2018. A report issued in 2012 by a Compensation Technical Working Group (Group) recommended that allocations be based on market-rate salaries for comparable occupations, as identified by a study commissioned by the Group.

*National Board for Professional Teaching Standards Certification Bonus.* The National Board for Professional Teaching Standards (NBPTS) program provides an opportunity for teachers to seek an advanced teaching credential by undertaking a rigorous application process. Once earned, the certification is valid for 10 years. Certificated instructional staff who have earned their NBPTS certificate are eligible to receive an annual bonus of at least \$5,000. Additionally, CIS teaching in a school that is identified as a "challenging school," one that has at least 50 percent high-poverty enrollment, are eligible for an additional \$5,000 annual bonus. The Office of the Superintendent of Public Instruction estimates 6,768 teachers will be certified in the 2016-17 school year, of which 2,389 are estimated to be teaching in challenging schools.

Adjusting for inflation, the bonus for the 2016-17 school year is \$5,301. The additional challenging school bonus is \$5,000.

*Health Benefits.* School districts are authorized to provide health care insurance separately or through the Public Employees' Benefit Board. In 2012 legislation was enacted directing school districts that offer basic health care insurance to make progress toward offering health plans with employee premiums for full family coverage that are no more than three times the premiums for single coverage. A report by the Joint Legislative Audit and Review Committee, published January 2016, found that 271 of the 295 districts had not met the premium ratio of three to one.

#### School District Employee Collective Bargaining and Performance Evaluation.

*Collective Bargaining for Educators.* Collective bargaining is generally defined as the mutual obligation between an employer and a union or bargaining representative to negotiate in good faith with respect to grievance procedures and personnel matters. The statutory obligation to negotiate does not require either party to reach an agreement, but rather creates a uniform basis for implementing public employee labor rights. School district collective bargaining was created in statute in 1967 for classified employees through the Public Employee's Collective Bargaining Act and in 1975 for certificated employees under the Educational Employment Relations Act. Charter school employees were added to both chapters in 2016.

The Public Employees' Collective Bargaining Act broadly provides for the collective bargaining rights of counties, cities, and other political subdivisions and their employees, including classified school employees. The scope of mandatory bargaining covers wages, hours, and working conditions. The courts have described the scope as limited to matters of direct concern to employees. The Educational Employment Relations Act applies to all certificated school district employees. It does not apply to school district superintendents and certain executive, administrative, and confidential employees. The scope of mandatory bargaining with respect to certificated employees is similar to classified employees.

*Strikes by Education Employees.* No law in Washington explicitly permits or prohibits school district employee strikes. The right to strike is expressly not granted to classified staff. The collective bargaining statutes governing certificated staff are silent as to whether strikes are permitted or prohibited.

*Certificated Instructional Staff Employee Contracts and Non-renewal.* Certificated employees may only be hired by written order of a majority of the school board of directors (school board). The school board must make written contracts, which are generally limited to a one-year term unless otherwise provided by law, with each certificated employee.

Certificated employees may only be terminated under certain limited circumstances, including a finding of a crime against a child or conviction of a felony. However, school boards have the option to choose not to renew the contract of a certificated employee when it is determined that there is probable cause. The school board must notify the employee in writing no later than May 15 or June 15 if the omnibus appropriations act has not yet passed. An employee whose contract is not renewed for probable cause may appeal the decision by requesting a hearing to determine whether there is sufficient cause for non-renewal.

*Performance Evaluation as a Cause for Non-renewal or Termination.* Legislation enacted in 2010 directed the development of a revised evaluation system for teachers and principals. The revised evaluation system includes eight evaluation criteria and a four-level rating system ranging from unsatisfactory to distinguished. Evaluations must be performed annually by certificated administrative staff.

Aspects of performance evaluations for certificated instructional staff are specified in statute, including minimum evaluation criteria and the requirement that performance rated as not satisfactory is subject to a probationary period and, if performance does not improve, a finding of probable cause for non-renewal.

Under current law, evaluation results for certificated teachers and principals must be used as one of multiple factors in making human resource and personnel decisions beginning with the 2015-16 school year. These decisions include, but are not limited to, staff assignments and reductions in force.

#### State and Local Property Taxes for Schools.

*State and Other Regular Property Taxes.* The state Constitution limits regular property tax levies to a maximum of 1 percent of the property's value (\$10 per \$1,000 of assessed value [AV]). The Legislature has established individual district rate maximums and aggregate rate maximums to keep the total tax rate for regular property taxes within the constitutional limit. The state levies a regular property tax for schools at a rate of \$3.60 per \$1,000 AV; however, the estimated effective rate for calendar year 2018 is \$1.86. The state, counties, and cities are referred to as "senior" districts. Junior districts such as fire, library, hospital, and metropolitan park districts each have specific rate limits as well. The tax rates for the city, county, and junior districts must fit within an overall rate limit of \$5.90 per \$1,000 AV. If tax rates exceed this \$5.90 limit, then under a statutory proration system, junior taxing district levies are reduced and senior districts have preference over junior districts.

In addition to the 1 percent constitutional rate cap, regular property taxes are subject to a 1 percent growth cap. Specifically, the annual growth of regular property tax levy revenue is limited to the lesser of inflation or 1 percent, plus the value of new construction for jurisdictions with a population of 10,000 or more. For jurisdictions with a population less than 10,000, revenue growth is limited to 1 percent.

*Local Property Tax Levies for Schools.* Upon voter approval, school districts are authorized to collect levies above the 1 percent constitutional property tax limit. School district voters may approve maintenance and operation (M&O) levies for up to four years, capital levies for up to six years, and bond levies for the life of the bonds. Since passage of the Levy Lid Act of 1977, the Legislature has limited the amount school districts may collect through their M&O levies.

A school district's maximum M&O levy amount is determined by the district's levy base and levy percentage, also referred to as a "lid." Generally speaking, a district's annual levy base is its state and federal funding for the prior school year, adjusted for inflation, and additionally calculated amounts that were added to the levy base in 2010, sometimes referred to as "ghost money." The levy lid is the maximum allowable percentage of the levy base that a school district may collect. Until calendar year 2018, the levy lid for most school districts is 28 percent, which means that each calendar year districts may collect up to 28 percent of their levy base. (Some districts are

"grandfathered" at a higher levy percentage.) Beginning in calendar year 2018, the levy lid decreases to 24 percent, or for districts grandfathered at a higher levy percentage, decreases by 4 percentage points. The calculated amounts that were added to the levy base in 2010 will also be eliminated from the base beginning in calendar year 2018.

*Local Effort Assistance.* The Local Effort Assistance program (LEA), also known as levy equalization, was created in 1987. Under the state's LEA program, the state provides additional funding to school districts that are at a relative disadvantage in raising M&O levies due to relatively low property values. School districts are eligible for LEA if they have a higher than average levy rate and if the district has certified a local excess levy. Levies are equalized up to 14 percent of the levy base, which is half of the 28 percent levy lid that is applied to the majority of districts. Equalization is set to reduce to 12 percent beginning in 2018, maintaining the current one-half policy.

Local Effort Assistance is expressly not part of the state's program of basic education. In calendar year 2016, 217 districts were eligible to receive LEA, of which 212 districts received the assistance.

*Budget and Outlook Provisions.* Under legislation enacted in 2012, the Legislature must enact a budget bill that leaves a positive ending fund balance in the state General Fund and related funds. In addition, the projected maintenance level for the budget in the ensuing biennium may not exceed available fiscal resources. This is often referred to as the four-year balanced budget or the four-year outlook.

The Economic and Revenue Forecast Council provides official state revenue forecasts and also adopts outlooks as described in statute.

#### Measures of Education System Success.

In 2013 the Legislature directed the State Board of Education (SBE) to report on specified statewide indicators of educational system health and recommends evidence-based reforms, if needed, to improve the status of the indicators. The indicators include kindergarten readiness, fourth grade reading, eighth grade mathematics, college readiness, and post-secondary attainment and workforce. The SBE must annually report to the Legislature by December 1 of each even-numbered year.

Under federal and state law, school districts are identified as persistently lowest achieving schools in the state if the number of students in the district that do not meet the state standard on the statewide assessments in English language arts and mathematics is above a certain level. Such schools are eligible for federal and state grants for improvement.

*Innovation Schools, Zones, and Partnerships.* In 2011 the Legislature directed the OSPI to develop a process for school districts to apply to have schools designated as Innovation Schools. Groups of schools in one district or all schools in multiple districts may apply for designation as an Innovation Zone. A priority is placed on schools focused on the arts, science, technology, engineering, and mathematics (A-STEM) that actively partner with the community, business, and higher education and that use project-based or hands-on learning. Applications for designation must be developed by educators, parents, and communities in participating schools. Innovation Schools or Innovation Zones may apply to the OSPI or the SBE to obtain waivers of specified laws, including commingling of state funds for categorical programs and flexibility in calculating

course credits for high school courses. The authorization for Innovation Schools and Zones expires June 30, 2019.

The Collaborative Schools for Innovation and Success pilot pairs colleges of education with low-performing, high-poverty elementary schools. The pilot was authorized by the Legislature in 2012. Goals for the pilot include increasing student achievement, closing the opportunity gap, and changing how future teachers work with students in these types of schools. The three partnerships are: University of Washington with Roxhill Elementary in the Seattle Public Schools, Western Washington University with Washington Elementary in the Mount Vernon School District, and Gonzaga University and Whitworth University with Holmes Elementary in Spokane Public Schools.

#### Performance Excellence Program.

A 1987 act established a federal program to evaluate management quality of businesses in the United States. The Baldrige Performance Excellence Program and the Malcolm Baldrige National Quality Award are administered by the National Institute of Standards and Technology, within the United States Department of Commerce. The program currently publishes performance excellence frameworks used by trained examiners to evaluate management in both for-profit and non-profit organizations, including the education sector. Following an assessment, an examiner scores an organization's management quality.

#### Student Absenteeism.

Truancy statutes direct schools to take specific actions when students have unexcused absences, including notifying parents in writing after the student has one unexcused absence within a month; and holding a conference with the parent after the student has two unexcused absences in a month and taking specified steps to eliminate or reduce the student's absences. A school must take specified actions, which may include referring a student to a community truancy board, no later than the fifth unexcused absence in a month. Beginning in the 2017-18 school year, juvenile courts must establish with each school district a community truancy board. After the seventh unexcused absence within a month or the tenth unexcused absence in a school year, the school district must file a petition with the juvenile court. The court must initially stay the petition for additional interventions to take place.

#### Paraeducator Minimum Employment Standards.

Paraeducators work under the supervision of teachers to provide various levels of support, including performing instructional duties, assisting with classroom management, and acting as translator. The federal Every Student Succeeds Act, enacted in December 2015, directs the Office of the Superintendent of Public Instruction (OSPI) to develop minimum state standards that must be met by paraeducators who work in Title I, part A programs, which provide financial assistance to schools and school districts with high numbers of children from low-income families. Until the new standards are developed, the OSPI will continue to apply the federal paraeducator requirements used under the prior federal law. Prior federal law required paraeducators to have a high school diploma or equivalent, and complete one of the following tasks:

- complete two years of study at an institution of higher education;
- earn an associate degree or higher;
- pass an assessment that measures skills and content knowledge related to reading, writing and math; or

- complete a Washington paraeducator portfolio or apprenticeship program.

Individual school districts may require more education or higher credentials than are required by state or federal laws.

Community and technical colleges (CTCs) may offer paraeducator degree programs, apprenticeship programs, or certificate programs.

*E-certification.* Educators can apply or renew a Washington teaching certificate online through the OSPI's E-Certification application. E-Certification provides application services for state teachers, administrators, educational staff associates, and career and technical educators.

#### School District Budgeting and Accounting.

*Accounting.* School district accounting requirements organize and operate on a fund basis. Under current law, school districts must establish the following funds:

- a general fund for the M&O of the district, which includes both moneys received from the state and from other local revenues such as M&O levies;
- a capital projects fund for major capital purposes;
- a debt service fund for the retirement of bonds; and
- an associated student body fund for all moneys generated through the programs and activities of any associated student body organization.

*Budget Process.* Each school district develops and adopts its own budget prior to the beginning of each school year. School districts must adopt the budget at a public hearing no later than August 31 in first-class school districts, districts with 2,000 students or more, and not later than August 1 in second-class school districts, districts with fewer than 2,000 students. Each district must publish a notice when the budget is completed and provide copies upon request.

*Financial Health.* The Office of the Superintendent of Public Instruction (OSPI), with the Educational Service Districts (ESDs), created a tool to provide a snapshot of a school district's overall financial health that includes the fund balance to revenue ratio, expenditures to revenues ratio, and the number of days of cash on hand. Each of these financial indicators are calculated, weighted, and added together to determine a district's financial indicator score.

#### Education Initiatives.

*Initiative 732.* Initiative 732 (I-732) was approved by voters in the November 2000 general election. It required the state to provide an annual cost-of-living adjustment (COLA) for kindergarten through grade 12 (K-12) teachers and other public school employees, as well as community and technical college academic employees and classified employees at technical colleges. The COLA is based on the Seattle-area Consumer Price Index from the most recently completed calendar year.

*Initiative 1351.* Washington voters approved Initiative 1351 (I-1351) on November 4, 2014. Initiative 1351 amended the prototypical school funding formula to lower class sizes in all grades; provide additional class size reductions in high-poverty schools beyond those specified for the general education class sizes; and increase the allocation of school-based and district-wide staff units in all categories.

In 2015 the Legislature delayed the phase-in schedule for the funding of the new prototypical schools funding formula. For the 2019-21 biennium, funding allocations must be no less than 50 percent of the difference between the funding necessary to support the prototypical model as of September 1, 2013, and the funding necessary to support the numerical values to support the prototypical model as revised by the initiative. Full implementation of I-1351 must be completed by the end of the 2021-23 biennium.

### **Summary of Bill:**

#### Basic Education Funding Formulas.

Beginning with the 2018-19 school year, the state's prototypical school funding model is replaced with a new funding allocation method based on a flat per-pupil funding allocation method. Funding allocations for categorical programs that are based on excess cost and increased instructional support are replaced by flat per-pupil supplemental allocations. The categorical funding for the pupil transportation program, including funding for bus depreciation, is eliminated. Additionally, two new categorical programs are created for additional support for students participating in vocational education classes and students who are homeless.

The new per-pupil funding formula consists of a basic per-pupil guarantee and supplemental per pupil allocations for specified categorical programs for qualifying students, adjusted for inflation. Additional adjustments and funding are provided to address differences in regional costs, remedial education outside of the 180 day school year, and to recognize top teachers.

The new per-pupil funding allocations provides the following:

- A basic per-pupil guarantee of \$10,000 per pupil. This basic amount is adjusted based on the amount of the state Local Effort Levy that is collected in the school district per pupil. For districts in which the state Local Effort Levy is greater than 60 percent of the basic per-pupil guarantee, the district instead receives a per-pupil amount equal to the state Local Effort Levy per pupil collected in that district plus 40 percent of the basic per-pupil guarantee. For school year 2018-19, school districts receive the greater of \$10,000 per pupil or the sum of \$4,000 and the state Local Effort Levy per pupil that is collected in the school district. Future years are adjusted for inflation.
- A \$1,000 supplemental per-pupil allocation for each of the district's students who is enrolled in the transitional bilingual instruction program.
- A \$1,000 supplemental per-pupil allocation for highly capable students, limited to 2.314 percent of each school district's enrollment.
- A \$2,000 to \$5,000 supplemental per-pupil allocation for the number of students identified as high poverty to support students through the Learning Assistance Program. For purposes of this supplemental allocation, the measurement of poverty is revised to be based on the estimated poverty rate within each school districts for children ages five to 17 under the United States Census Bureau's small area and poverty estimates program, replacing the current measurement based on students qualifying for free and reduced price meals. For districts with an estimated poverty level of 30 percent or less, the allocation is \$2,000 per pupil. For districts with poverty greater than 30 percent, the allocation is increased to \$5,000 for the total number of students that exceed the 30 percent poverty level.

- A \$1,500 supplemental per-pupil allocation to provide supplemental instruction and services for homeless students, based on the number of unsheltered homeless students in the district.
- A \$7,500 supplemental per-pupil allocation to provide supplemental instruction for special education students.
- A \$500 supplemental per-pupil allocation for career and technical education students and students enrolled in skill centers.

For districts whose enrollment is 2,500 or fewer students and whose combined estimated general apportionment, pupil transportation, local maintenance and operation levy, and local effort assistance revenue, calculated based on the law in effect as of January 1, 2017, would have been greater per pupil than the basic per-pupil guarantee, the allocation to the district is the per-pupil amount they would have received, adjusted by the ratio of the new statewide per-pupil funding allocation and the prior funding allocation per pupil.

An additional state-funded adjustment is provided for school districts whose per-pupil revenue, including all local, state and federal revenues, is less than \$12,500 per pupil so that their total funding per pupil from all sources is at least \$12,500.

Beginning with the 2019-20 school year, each of the per-pupil allocations is adjusted annually for inflation based on the implicit price deflator, including the \$12,500 per-pupil adjustment.

#### School District Employee Compensation.

Beginning in the 2018-19 school year, the salary allocation schedule for certificated instructional staff (CIS) is eliminated. The minimum actual salary that a school district may pay CIS is increased to \$45,000. Additionally, school districts are prohibited from providing salary increases based on a master's degree or other advanced degree unless the advanced degree is in the subject area in which the individual teaches.

Beginning in the 2018-19 school year, a housing allowance is provided to school districts for each of the district's state-funded staff to adjust for regional cost differences. To be eligible for the housing allowance allocation, school districts must have an above average housing cost, as measured by the average equalized assessed value per residential parcel within the school district. The housing allowance is \$10,000 multiplied by a regional cost factor, which is defined. The housing allowance is adjusted for inflation. It is not considered part of the state's program of basic education and is not the subject of collective bargaining.

Beginning in the 2018-19 school year, a top teacher recognition grant program is established. Subject to funds appropriated for the purpose, in each odd-numbered year, every Education Service District (ESD) must identify, based on merit, the top 5 percent of teachers who are teaching in a school district within the ESD. The teachers identified in the top 2 percent of all identified teachers will receive a one-time top teacher recognition grant award of \$50,000. The remaining teachers who are identified in the top 5 percent will receive one-time top teacher recognition grant awards of \$25,000 each. The top teacher recognition grant is not subject to collective bargaining, may not be included for the purpose of calculating retirement allowances under any public retirement system in Washington, and is not part of the program of the state's program of basic education.

Beginning with the 2018-19 school year, school districts may enter into state-funded extended year contracts with nonsupervisory certificated instructional staff to provide remedial education instruction services to underachieving students. The contracts may be for up to an additional 90 days outside of the 180 day school year, must be time-based with compensation set at an hourly rate that is based on the individual employee's prior year salary. The extended year contracts are not considered part of the state's program of basic education.

Beginning with the 2018-19 school year, certificated instructional staff and certificated administrative staff are eligible for an annual recruitment and retention bonus of \$12,500 if employed in an eligible school district. Qualifying school districts are those with an enrollment that exceeds 25,000 students and that has a poverty rate exceeding 25 percent, based on the United States Census Bureau's small area and poverty estimates program.

Beginning in the 2018-19 school year, total school district expenditures for salaries and benefits for all staff may not exceed 80 percent of the district's general fund expenditures. District's whose expenditures exceed this limitation in the 2017-18 school year must comply with this requirement by the 2023-24 school year. The state-funded housing allowance and the teacher recruitment and retention bonus are excluded from this limitation.

*National Board Bonus.* State funding for the National Board for Professional Teaching Standards (NBPTS) bonus is eliminated. Districts may provide a bonus for National Board for Professional Teaching Standards certification as part of their locally designed compensation plan. Payment of a bonus for NBPTS is not considered part of the state's program of basic education.

*Health Benefits.* School districts that offer basic health care must offer plans designed with premiums for full family coverage that are no more than three times the premiums for single coverage. Any pooled savings that are used to reduce employee premiums must be used to maintain the three to one cost ratio.

#### School District Employee Collective Bargaining and Performance Evaluation.

*Collective Bargaining.* Any collective bargaining agreement entered into under the laws of the Educational Employment Relations Act or the Public Employees' Collective Bargaining Act must comply with the provisions of this act. This act does not affect or impair any currently effective collective bargaining agreements. School districts may hire a non-certificated individual to teach so long as they are under the supervision of a certificated employee. The individual must also undergo a records check as required by statute.

*Strikes.* Certificated educational employees are expressly prohibited from striking, participating in work stoppages or work slowdowns, or otherwise refusing to perform their official duties.

*Certificated Employee Contracts, Performance Evaluations, and Non-renewal.* A teacher who fails to show improvement through in-service training and mentorship to the extent that it is detrimental to the academic performance of students is subject to dismissal. The teacher must be notified in writing. The notification must include a detailed explanation of the reasons for dismissal. The teacher has the right within 10 days of notice to meet informally with the principal for the purpose of requesting that the principal reconsider their decision. Within 10 days following the meeting, the principal must either reinstate the teacher or submit to the school

district board of directors (school board) for consideration at its next regular meeting a written report recommending that the employment contract for the teacher be terminated.

A copy of the report must be delivered to the teacher at least 10 days before the scheduled meeting of the school board. At the school board's meeting, the teacher must be given the opportunity to present information and provide documentation refuting any facts regarding how the principal's determination was made.

The school board must notify the teacher in writing of its final decision within 10 days following the meeting at which the principal's recommendation was considered. The decision of the school board to terminate the contract of a teacher pursuant to this section is final and not subject to appeal.

#### State and Local Property Taxes for Schools.

*Local Effort Levy.* Beginning in calendar year 2018, a new state property tax called a "Local Effort Levy" is created. The state Local Effort Levy is a regular property tax that is exempt from the 1 percent growth limit. All machinery and equipment owned by a farmer that is personal property is exempt from the state Local Effort Levy. Additionally, qualifying senior citizen, disabled persons, and 100 percent disabled veterans are exempt from the state Local Effort Levy in the same manner they are exempt from excess property tax levies.

Revenue from the state Local Effort Levy is deposited in the Education Legacy Trust Account for the support of common schools. In calendar year 2018, the rate for the state Local Effort Levy is set at a rate of \$0.45 per \$1,000 of assessed value. After that the rate is \$1.80 per \$1,000 unless it is reduced by the Legislature as follows: beginning with the 2019-21 biennium, the Legislature is required to prioritize Near-General Fund revenue growth to first fund the new per-pupil formula and then to reduce the new Local Effort Levy to \$1.25 per \$1,000 assessed value over time.

*Junior Taxing District Hold Harmless.* Junior taxing districts may seek reimbursement from the state for lost revenues if the new state Local Effort Levy causes the district to be prorated under the 1 percent constitutional limit on property taxes. The reimbursement program expires after 10 years.

*Local Maintenance & Operation Levies and Local Effort Assistance.* Each of the following provisions that were scheduled to change beginning in calendar year 2018 are delayed by one year to calendar year 2019: The 4 percentage point reduction in the levy lid; the elimination of additional calculated amounts from the levy base; and the change in the equalization rate from 14 percent to 12 percent.

Beginning in calendar year 2019, existing voter-approved excess maintenance and operation levies are eliminated. Additionally, the local effort assistance program is also eliminated in calendar year 2019.

Beginning in calendar year 2020, new voter-approved excess maintenance and operation levies are limited to 10 percent of school district state and federal funding. Prior to submitting the levy to the voters for approval, school districts must provide a report to the Office of the Superintendent of Public Instruction detailing the programs and activities to be funded through

the proposed levy. The report must be approved by the Office of the Superintendent of Public Instruction prior to the election for the proposition.

*Revenue growth prioritization.* Beginning July 1, 2019, the Legislature must prioritize the use of new near-general fund revenues. To the extent that beginning fund balance and new revenues, including transfers but excluding Budget Stabilization Account deposits, exceed the prior biennium's revenues, the Legislature must prioritize the new revenue first to increases for inflation and enrollment in the per-pupil formula, and then toward reduction of the Local Effort Levy down to \$1.24 per \$1000 of AV. The Economic and Revenue Forecast Council makes the calculations necessary to determine compliance with the prioritization requirement.

#### Measures of Education System Success.

The current indicators on which the State Board of Education (SBE) must annually report regarding the health of the educational system are changed and targets that school districts must meet are established. The indicators include third grade literacy rate, improved high school readiness, raised four-year cohort high school graduation rates, and closing the achievement gap. School districts on pace to meet or meeting the performance targets are annually granted greater additional autonomy and flexibility by exempting them from most state laws. The school districts that are not meeting the performance targets are identified as challenged schools in need of improvement and can also be identified as a persistently lowest-achieving school for the purposes of state accountability. The SBE must create a process for a limited number of other schools that are not persistently lowest-achieving to be exempt from most state laws and rules if they file a plan with the SBE with an explanation of how the flexibility will help the districts to improve educational outcomes for the students.

#### Excellence Assessment Program.

Beginning in the 2018-19 school year, the OSPI will select 10 school districts with at least 5,000 students to pilot implementation of the Education Sector Excellence Assessment Framework developed by the National Institutes of Standards and Technology within the United States Department of Commerce.

The OSPI must develop a phased-in schedule whereby all school districts with at least 5,000 students has implemented the education sector excellence assessment framework by the 2020-21 school year. Each school district selected to implement the excellence assessment framework will receive a \$10,000 grant to cover implementation costs, including contracting with a trained excellence assessment examiner at the beginning of implementation, and every three years thereafter, with the goal of reaching 70 percent or higher on the operational performance scoring guidelines within nine years.

The OSPI must develop a standardized method for school districts to report implementation results and must take into consideration feedback by examiners when using the information to streamline and eliminate educational processes. Beginning in the 2019-20 school year, any school districts that has implemented the excellence assessment framework must report to the OSPI on implementation progress and examiner results.

By December 1, 2019, all ESDs must implement the education sector excellence assessment framework and contract with a trained examiner at the start of the implementation, and every

three years thereafter, with the goal of reaching 70 percent or higher on the assessment scoring guidelines within nine years.

By December 1, 2019, the OSPI, the SBE, the Professional Educator Standards Board, the Washington State School Directors Association, and the Office of the Education Ombuds must implement the education sector excellence assessment framework by December 1, 2019, and contract with a trained examiner at the start of the implementation, and every three years thereafter, with the goal of reaching 70 percent or higher on the assessment scoring guidelines within nine years.

#### Student Absenteeism.

Beginning in the 2019-20 school year, each school district shall create an attendance reserve to be used to reduce chronic student absenteeism. For the purposes of this section, "chronic absenteeism" means when a student has 18 or more absences in a school. If a school has a three-year average student absentee rate that exceeds 20 percent of the student population of the school, then the OSPI must recover from the school district an amount of funds from the district's reserve that is equal to the amount of funds that the school received for each chronically absent student in excess of 20 percent.

#### Paraeducator Minimum Employment Standards.

Various new provisions establish requirements for paraeducators. A paraeducator means a classified school district employee who works under the supervision of a certificated or licensed staff member to support and assist in providing instructional services to students and their families. Paraeducators are not certificated instructional staff.

Subject to funding appropriated by the Legislature, effective September 1, 2017, minimum education and experience requirements are established for paraeducators.

*Paraeducator Board Established.* By September 1, 2017, a paraeducator board (Board) administered by the OSPI must be established to administer policies and rules for the preparation and certification of paraeducators who work in special education, basic education, the Learning Assistance Program (LAP), the federal disadvantaged program, the English Language Learner (ELL) programs, the paraeducator career ladder, or the pathway to teacher certification, subject to funding appropriated by the Legislature.

*Piloting of Paraeducator Certificate and Endorsements.* Subject to funding appropriated by the Legislature, the Board must distribute grants in the 2018-19 school year to districts that volunteer to field test the implementation of the paraeducator certificate, and the special education and the ELL endorsement for paraeducators.

*Paraeducator Certificate.* Beginning September 1, 2019, subject to funding appropriated by the Legislature, all school districts must implement paraeducator certification for paraeducators working in the special education, basic education, the LAP, the federal disadvantaged program, or the ELL program. Paraeducators have three years to acquire certification.

Subject to funding appropriated by the Legislature, the Board must adopt certification standards and a training practicum and ensure that paraeducators have multiple methods to access certification training. Subject to funding, the Board must also develop endorsements for special

education, ELL, and advanced paraeducators. The Board must develop clock-hour requirements for paraeducator certificate and endorsement renewal.

#### School District Budgeting and Accounting.

*Local Revenue Subfund.* School districts must establish a local revenue subfund. Money deposited into the local revenue fund must include, but is not limited to, proceeds from M&O levies and LEA payments from the state. By the 2018-19 school year, school districts must provide separate accounting of state, federal, and local revenues and expenditures, and a separate accounting of basic education and non-basic education expenditures.

*Budget Process.* As part of their annual budget process, school districts must develop a four-year budget outlook that includes a projection for student enrollment. The information must be posted online and copies made available upon request. Districts are encouraged to use the information to inform the district's instructional priorities and program offerings and to communicate this information to the local community.

*Financial Health.* The OSPI must consider the school district four-year budget outlook and enrollment projection when ranking the financial health of districts. The OSPI must present information to the Legislature regarding districts trending towards financial difficulty, insolvency, or binding conditions.

*State Auditor.* The State Auditor must conduct regular financial audits of school districts, including a review of expenditures of local levy funds and supplemental contracts, to ensure local funds are not being expended for basic education.

#### Education Initiatives.

Initiative 732 and initiative 1351 are repealed.

#### Referendum.

A referendum clause is included, requiring a vote of the people on the entire act at the next general election in November 2017, except the provisions of the bill delaying the changes to the formulas for calculating school districts' maximum maintenance and operation levy authority, and corresponding local effort assistance.

**Appropriation:** None.

**Fiscal Note:** Requested on February 1, 2017.

**Effective Date:** The bill contains a referendum clause and takes effect 30 days after the November 2017 election if approved by the voters, except for sections 401, 402, and 404 through 411 of the bill, relating to the one-year delay of the levy lid reduction, which take effect 90 days after adjournment of the session at which the bill is passed, and sections 403 and 412, relating to the one-year delay of the levy lid reduction, which take effect January 1, 2019, only if the voters reject the referendum bill at the November 2017 election.