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**ENGROSSED SUBSTITUTE HOUSE BILL 1732**

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**State of Washington**

**68th Legislature**

**2023 Regular Session**

**By** House Appropriations (originally sponsored by Representatives Bergquist, Stonier, Ormsby, and Macri)

READ FIRST TIME 02/22/23.

1       AN ACT Relating to changing the inflation adjustment index for  
2 state salary allocations to schools; amending RCW 28A.400.205; and  
3 creating new sections.

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

5       NEW SECTION.       **Sec. 1.**       The legislature finds that recent  
6 inflation volatility has impacted costs for schools and their  
7 employees. In defining salary allocations for school employees, the  
8 legislature applies inflation annually to adjust for changing costs.

9       The legislature also finds that school districts need to know  
10 inflation adjustments for salary allocations prior to the start of a  
11 school year for their planning and budgeting. Relying on a projected  
12 inflation factor before the start of a school year, as has been the  
13 practice since the 2018-19 school year, has been challenging during  
14 periods of inflation volatility. For example, the projected inflation  
15 factor adopted in the 2021 operating budget for the 2021-22 school  
16 year was 2.0 percent, whereas the final inflation factor for that  
17 period was 5.8 percent. This volatility has resulted in the  
18 legislature rebasing salaries in subsequent years to keep pace with  
19 changing costs.

20       Therefore, the legislature intends to change the inflation factor  
21 to use prior year inflation rather than projected inflation to add

1 predictability and certainty to school district planning and budgets,  
2 and to better reflect changing costs in salary allocations.

3 **Sec. 2.** RCW 28A.400.205 and 2018 c 266 s 206 are each amended to  
4 read as follows:

5 (1) School district employees shall be provided an annual salary  
6 inflationary increase in accordance with this section.

7 (a) The inflationary increase shall be calculated by applying the  
8 rate of the yearly increase in the inflationary adjustment index to  
9 any state-funded salary base used in state funding formulas for  
10 teachers and other school district employees. Beginning with the  
11 2019-20 school year, each school district shall be provided an  
12 inflationary adjustment allocation sufficient to grant this  
13 inflationary increase.

14 (b) A school district shall distribute its inflationary  
15 adjustment allocation for salaries and salary-related benefits in  
16 accordance with the district's collective bargaining agreements and  
17 compensation policies. No later than the end of the school year, each  
18 school district shall certify to the superintendent of public  
19 instruction that it has spent funds provided for inflationary  
20 increases on salaries and salary-related benefits.

21 (c) Any funded inflationary increase shall be included in the  
22 salary base used to determine inflationary increases for school  
23 employees in subsequent years. For teachers and other certificated  
24 instructional staff, the rate of the annual inflationary increase  
25 funded for certificated instructional staff shall be applied to the  
26 base salary used with the statewide salary allocation methodology  
27 established under RCW 28A.150.410 and to any other salary allocation  
28 methodologies used to recognize school district personnel costs.

29 (2) For the purposes of this section, "inflationary adjustment  
30 index" means (~~(, for any)~~):

31 (a) For the 2023-24 school year, 3.7 percent; and

32 (b) Beginning in the 2024-25 school year, the implicit price  
33 deflator for (~~that fiscal~~) the calendar year prior to the beginning  
34 of the school year, using the official current base, compiled by the  
35 bureau of economic analysis, United States department of commerce.

36 NEW SECTION. **Sec. 3.** If specific funding for the purposes of  
37 this act, referencing this act by bill or chapter number, is not

1 provided by June 30, 2023, in the omnibus appropriations act, this  
2 act is null and void.

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