

SENATE BILL REPORT

SB 5326

As Reported by Senate Committee On:
Ways & Means, February 22, 2021

Title: An act relating to health and pension benefits for school bus drivers employed by private nongovernmental entities.

Brief Description: Concerning health and pension benefits for school bus drivers employed by private nongovernmental entities.

Sponsors: Senators Robinson, Cleveland, Conway, Das, Hasegawa, Hunt, Liias, Nguyen, Nobles, Saldaña, Wellman and Wilson, C..

Brief History:

Committee Activity: Ways & Means: 1/28/21, 2/22/21 [DPS, DNP].

Brief Summary of First Substitute Bill

- Provides that school districts may only enter into pupil transportation service contracts with nongovernmental entities that provide health and retirement benefit contributions to their employees equivalent to those received by school employees.

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: That Substitute Senate Bill No. 5326 be substituted therefor, and the substitute bill do pass.

Signed by Senators Rolfes, Chair; Frockt, Vice Chair, Capital; Robinson, Vice Chair, Operating & Revenue; Carlyle, Conway, Darneille, Dhingra, Hasegawa, Hunt, Keiser, Liias, Pedersen, Van De Wege and Wellman.

Minority Report: Do not pass.

Signed by Senators Wilson, L., Ranking Member; Brown, Assistant Ranking Member, Operating; Honeyford, Assistant Ranking Member, Capital; Schoesler, Assistant Ranking

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

Member, Capital; Braun, Gildon, Mullet, Muzzall, Rivers, Wagoner and Warnick.

Staff: Amanda Cecil (786-7460)

Background: Transportation Funding. The state's program of basic education includes transportation for some students to and from school. Funding allocations for pupil transportation are based on a combination of prior year allocations and district expenditures, and a regression analysis of student transport numbers and district characteristics used to estimate expected transport costs. For purposes of establishing a school district's independent variable for the regression analysis, allowable employee compensation costs are limited to base salary and benefit rates as provided in the budget.

Private Contracts. School districts may contract with private nongovernmental entities for pupil transportation services, provided the district engages in an open competitive process for the services at least once every five years.

School Employee Benefits. Health care and related benefits for eligible school district employees are provided through the School Employees' Benefit Board (SEBB) program. The state allocates funding to each school district for employee health care, and for the cost to districts of subsidized retiree health care for state-funded K-12 staff units. Medical premiums are split 85 percent employer paid and 15 percent employee paid. Other benefits such as dental, vision, and basic life are fully paid by the employer. For the 2021 fiscal year the SEBB employer funding rate is \$1,000 per employee per month, which includes the retiree remittance of \$76.13. Funding and retiree remittance rates for the 2021-23 fiscal biennium will be established by the Legislature.

Classified school employees are provided pension benefits through the School Employees' Retirement System, administered by the Department of Retirement Systems. Pension benefits are funded as a percentage rate applied to eligible salaries. For the 2021-23 fiscal biennium, the Pension Funding Council adopted a normal employer contribution rate of 8.05 percent and an employee contribution rate of 7.76 percent.

Summary of Bill (First Substitute): A school district may only enter into a pupil transportation services contract with a nongovernmental entity that provides the following to its employees:

- the employer contribution be equal to employer payment for health care benefits rates—Cockle rates, published annually by the Health Care Authority, for the school employees' benefits board program for school employees; and
- an amount equivalent to the plan 2 and 3 normal cost employer contribution rate of the School Employees' Retirement System multiplied by the salaries of the employees of the contractor.

"Employee" is defined as an employee who works sufficient compensated hours for the nongovernmental entity performing services on the contract with the school district to meet

the eligibility requirements that apply to school employees for benefits in the school employees' retirement system and the school employees' benefits board program.

These provisions apply only to contracts entered into, renewed, or extended after the effective date of this act.

Pupil transportation service contracts entered into or modified after the effective date of this act must include a detailed explanation of any contract cost increase by year, expenditure type, and amount, including any increases in cost that results from providing the benefits required under this section.

A school district that experiences an increase in cost attributable to this act will be eligible for a supplemental transportation allocations. A supplemental allocation will be the total increase in cost less any amounts not attributable to the benefits required in this act, less the amount the allocation was increased based on the actual cost increase through the transportation funding formula.

EFFECT OF CHANGES MADE BY WAYS & MEANS COMMITTEE (First Substitute):

- Removes the existing provisions related to the amount the employer must provide for health benefits and replaces it with a requirement the employer contribution be equal to employer payment for health care benefits rates—Cockle rates, published annually by the Health Care Authority, for the school employees' benefits board program for school employees.
- Clarifies that in order to be eligible for benefits, an employee must meet the eligibility criteria that apply to school employees to be in the School Employees' Retirement System and for coverage under the School Employees' Benefit Board.
- Requires that a new or updated contract include a detailed explanation of any contract cost increase by year, expenditure type, and amount, including any increases in cost that result from providing the benefits required under this section.
- Provides that a school district that experiences costs increases as a result of this act may be eligible for supplemental allocations of the amount of the increase less the amount reimbursed through the funding model.

Appropriation: None.

Fiscal Note: Available.

Creates Committee/Commission/Task Force that includes Legislative members: No.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Staff Summary of Public Testimony on Original Bill: *The committee recommended a*

different version of the bill than what was heard. PRO: A majority of the coverage provided does not cover many necessary tests and treatment costs. This is a hardship for employees and their families. Agreeing that bus drivers deserve benefits does not mean that they are getting them. This bill would ensure bus drivers will get the that coverage.

CON: Many school districts would be supportive of this if there was a guarantee the cost would be covered by the state. Otherwise the cost would be picked up by district enrichment levies. Everyone deserves adequate health care and retirement benefits. Contractors could provide better benefits now, but they preserve profits over benefits, and this bill would have them passing that cost on to districts. This bill will increase the cost of student transportation and it is already underfunded.

OTHER: Adequate access to health care is important and bus driver retention is an issue. Health care offerings are very different based on where you are located. There are a lot of variables that need to be addressed.

Persons Testifying: PRO: Dan Jones, Teamsters; Cynthia Campbell, Teamsters.

CON: Rosalind Medina, Tacoma School District; Fred Yancey, Washington Association of School Administrators; Marissa Rathbone, Washington State School Directors' Association; Brian Talbott, Nine Mile Falls School District; Dave Smith, Newport School District.

OTHER: Carolyn Logue, Washington State Student Transportation Coalition.

Persons Signed In To Testify But Not Testifying: No one.