

# HOUSE BILL REPORT

## ESHB 1248

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### As Passed Legislature

**Title:** An act relating to pupil transportation.

**Brief Description:** Concerning pupil transportation.

**Sponsors:** House Committee on Appropriations (originally sponsored by Representatives Stonier, Harris, Senn, Simmons, Ryu, Reeves, Bergquist, Eslick, Pollet and Reed).

#### **Brief History:**

##### **Committee Activity:**

Appropriations: 1/23/23, 2/13/23 [DPS].

##### **Floor Activity:**

Passed House: 2/8/24, 57-39.

Senate Amended.

Passed Senate: 2/29/24, 28-21.

House Concurred.

Passed House: 3/5/24, 57-37.

Passed Legislature.

#### **Brief Summary of Engrossed Substitute Bill**

- Requires that school district contracts for pupil transportation services must require the contracting employer to provide health benefits and pension contributions equivalent to those of school district classified employees.
- Provides supplemental allocations to districts that demonstrate higher costs because of the new contract requirements, subject to appropriation.

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### HOUSE COMMITTEE ON APPROPRIATIONS

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass.

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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 part of the legislation nor does it constitute a statement of legislative intent.*

Signed by 18 members: Representatives Ormsby, Chair; Bergquist, Vice Chair; Gregerson, Vice Chair; Macri, Vice Chair; Berg, Chopp, Davis, Fitzgibbon, Hansen, Lekanoff, Pollet, Ryu, Senn, Simmons, Slatter, Springer, Stonier and Tharinger.

**Minority Report:** Do not pass. Signed by 3 members: Representatives Dye, Schmick and Steele.

**Minority Report:** Without recommendation. Signed by 8 members: Representatives Stokesbary, Ranking Minority Member; Chambers, Assistant Ranking Minority Member; Corry, Assistant Ranking Minority Member; Connors, Couture, Harris, Rude and Sandlin.

**Staff:** James Mackison (786-7104).

### **Background:**

#### Pupil Transportation.

The state's statutory program of basic education includes transportation to and from school for eligible students.

To provide transportation allocations to school districts, the Office of the Superintendent of Public Instruction (OSPI) uses the Student Transportation Allocation Reporting System (STARS), which is a regression formula that uses prior year expenditures, student passenger counts, and district characteristics to calculate the expected costs of to-and-from transportation. Prior year expenditures used in STARS include costs for salaries and benefits for transportation staff. The STARS formula result is then compared to the district's allowable transportation expenditures from the prior year. The school district receives the lesser of the two calculated amounts, plus any compensation adjustments provided in the operating budget.

School districts may contract with private nongovernmental entities for pupil transportation services provided that the district engages in an open competitive process for the services at least once every five years. Costs associated with pupil transportation services contracts are also included in STARS formulas.

#### School Employee Benefits.

To provide health care and related benefits for all eligible public school employees and represented employees of educational service districts (ESDs), the Legislature created the nine-member School Employees' Benefits Board (SEBB). The program is administered by the Health Care Authority (HCA). Under the SEBB, collective bargaining for school employee health benefits is consolidated to a single agreement. State prototypical school funding formulas include funding for health benefits under the SEBB for state-funded staff units. The current Health Benefits Rate that applies to each SEBB-eligible school employee is \$1,100 per employee per month in the 2023-24 school year.

For retirement, classified school employees are provided pension benefits through the

School Employees' Retirement System (SERS), administered by the Department of Retirement Systems. For the 2023-24 school year, the employer contribution rate is 10.73 percent excluding administrative fees, and the employee contribution rate is 7.76 percent.

**Summary of Engrossed Substitute Bill:**

Pupil Transportation Contractor Benefits.

Any pupil transportation contract entered into, renewed, or extended must require the contractor to provide the following to, or on behalf of, its employees who choose to opt in for coverage:

- a contribution equal to the employer payment dollar amount in effect for the first year of the contract for health care benefit rates for the SEBB program; and
- an amount equivalent to the salaries of the employees of the contractor multiplied by the employer normal cost contribution rate determined under the entry age cost method for the SERS.

Contracts entered into, renewed, or extended in the 2024 calendar must provide the required benefits by the beginning of the 2025-26 school year.

"Employees" are defined as in-state employees of a private nongovernmental entity who work sufficient compensated hours performing services on the contract with the school district to meet the eligibility requirements for the state health benefits program for school employees if the employee was employed directly by the school district.

Subject to amounts appropriated, the OSPI must provide supplemental transportation allocations to reimburse school districts for increases in costs directly attributable to the new contractor benefit requirements. The reimbursement must be based on the total contract cost increase, less the portion of the increase not attributable to benefits required under the bill and the increase in transportation allocations due the cost increases.

Beginning September 1, 2024, school districts that contract for pupil transportation services must report:

- a breakdown of the total contract increase to show the required dollar equivalency for health care and retirement benefits;
- a breakdown from the contractor showing healthcare and pension benefits before and after the implementation of benefits required in the bill; and
- the amounts received under state transportation formulas before and after the implementation of SEBB to determine funding already being included.

**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date:** The bill takes effect 90 days after adjournment of the session in which the bill is passed.

**Staff Summary of Public Testimony:**

(In support) The transportation formula has been an ongoing issue and source of frustration for school districts. Changing the formulas is a top priority. The policy has bipartisan support.

The change to the formula will simplify budgeting and planning for school districts. The STARS formula is overly complex, underfunded, and confusing for districts. The STARS formula is antiquated and inadequate. This formula should continuously evolve to address true school district costs. The regression model artificially estimates costs to keep the state funding low. Small rural districts should not lose funding due to the number of miles they need to cover. School districts can't project next year because of the complex STARS formula. A formula based on per pupil and mile costs will better cover actual costs for many districts. The bill creates a transparent and predictable formula that is a good update. It funds basic routes based on miles and student riders.

The current system is complex and creates winners and losers because it uses an average. Some districts suffer from geographic complexities, and the current funding model forces them to use local dollars to cover additional expenses. Students need to be safely transported to and from school. This bill provides equity for all students.

The reimbursements in the bill provide a significant increase for special education students and other special passengers. The bill reimburses special passenger costs that districts are required by the federal government to incur. The current special passenger allocation can be a fraction of what is spent on these students. Many of these students are in McKinney-Vento programs. This provides the necessary amount of money for our most vulnerable students. Special passengers could be clarified.

There is support for parity of benefits between contract and district-employed drivers. The policy will reduce inequity for contract drivers who are not a part of SEBB. Please fully fund the section requiring health benefits for contractors. Additional costs need to be looked at each year as health care costs increase. Districts are negotiating their contacts and need the cost of health and retirement benefits to be covered.

Though many contracting districts support an improved model and special student reimbursement, the requirements pertaining to contractor benefits could be problematic. The intent is understandable, but further discussion on this provision and its impact on districts is needed. The one-time payment does not appear to be ongoing for contracted SEBB.

Full funding of pupil transportation is needed. State formulas do not fully cover district's

costs, requiring school districts to spend local levy money to fund student transportation, which is a basic education service. A fiscal analysis to understand the impact is needed. The inflationary factor in the formula and the full reimbursement for special populations is good. People ask why McCleary didn't cover this. The OSPI acknowledged that the formula doesn't match actual costs, and the Office of Financial Management released a report that finds more funding is needed.

(Opposed) None.

(Other) There are concerns about the sections requiring contractor benefits. This bill addresses contracted school bus drivers who are often overlooked. It should be fully funded, covering those who are not part of the SEBB to provide adequate health care. There is support for moving this forward, but please look at the provisions for contracted drivers. They should be covered, but it looks like they are not fully funded. Language was developed working with unions that could improve the bill, such as how many years the SEBB benefits are in effect. The type of employees covered under this bill need to be better defined.

The SEBB underfunding needs to be considered. There is support for revising the formula to increase state funding, which only covers 84 percent. Costs to cover employees are much higher than \$200 per employee per month. School districts are already spending local dollars on SEBB benefits. Adding this requirement without additional funding would take away funding from enrichment activities. There is interest in collaborating on cost estimates. Please reconsider or fully fund with state dollars so that school districts do not need to use local funding.

**Persons Testifying:** (In support) Representative Monica Jurado Stonier, prime sponsor; John Boyd, Evergreen Public Schools; Tim Merlino, Educational Service District 112; Julie Salvi, Washington Education Association; Clifford Traisman, Bellevue, Highline, Olympia, and Seattle Public School Districts; Cindy McMullen, Central Valley School District; Shaunie Wheeler-James, Teamsters; Charlie Brown, Pierce County Superintendents and Schools Alliance; Traci Mitchell, Washington State School Directors Association and Everett School District; Rick Chisa, Public School Employees of Washington; and Jim Kowalkowski, Rural Education Center.

(Other) Jeff Baerwald, Nine Mile Falls School District; Barbara Posthumus, Lake Washington School District; and Carolyn Logue, Washington State Student Transportation Coalition.

**Persons Signed In To Testify But Not Testifying:** None.