

# HOUSE BILL REPORT

## HB 1813

---

### As Reported by House Committee On: Appropriations

**Title:** An act relating to incorporating the costs of employee health benefits into school district contracts for pupil transportation.

**Brief Description:** Incorporating the costs of employee health benefits into school district contracts for pupil transportation.

**Sponsors:** Representatives Sullivan, Santos, Ortiz-Self and Ormsby.

#### **Brief History:**

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

Appropriations: 2/14/19, 2/25/19 [DPS].

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

- Requires that school district contracts for pupil transportation services must include sufficient funds to provide employees of the contracting employer with health benefits and pension contributions equivalent to those of school district classified employees.

---

### HOUSE COMMITTEE ON APPROPRIATIONS

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 19 members: Representatives Ormsby, Chair; Bergquist, 2nd Vice Chair; Robinson, 1st Vice Chair; Cody, Dolan, Fitzgibbon, Hansen, Hudgins, Jinkins, Macri, Pettigrew, Pollet, Ryu, Senn, Springer, Stanford, Sullivan, Tarleton and Tharinger.

**Minority Report:** Do not pass. Signed by 14 members: Representatives Stokesbary, Ranking Minority Member; MacEwen, Assistant Ranking Minority Member; Rude, Assistant Ranking Minority Member; Caldier, Chandler, Dye, Hoff, Kraft, Mosbrucker, Schmick, Steele, Sutherland, Volz and Ybarra.

**Staff:** David Pringle (786-7310).

#### **Background:**

---

*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.*

The state's program of basic education includes transportation for some students to and from school. The current funding model was established under legislation enacted in 2009 and 2010, redefining the state's program of basic education and restructuring the kindergarten through grade 12 (K-12) funding formulas. Funding allocations for pupil transportation are based on a combination of prior year allocations and district expenditures, and a regression analysis of unique characteristics that are used to estimate the expected cost to transport students to and from school. The employee compensation costs included in the allowable transportation expenditures used to establish each school district's independent variable for the regression analysis are limited to base salary and benefit rates provided in the budget. Alternative formulas are available for districts with low enrollment, nonhigh districts, and others.

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.

In 2017 the Legislature created the School Employees Benefits Board (SEBB) with the enactment of Engrossed House Bill 2242. Beginning January 1, 2020, all public schools must provide health care and related benefits to employees through the SEBB program, administered by the Health Care Authority (HCA). The state allocates funding to each school district for employee fringe benefits, such as health care, and for the cost to districts of covering retiree health care for state-funded K-12 staff units. Health benefits funding under the SEBB program is bargained between the Governor or the Governor's designee and one coalition of all of the exclusive bargaining representatives impacted by benefit purchasing with the SEBB.

Classified school employees are provided pension benefits through the School Employees' Retirement System, administered by the Department of Retirement Systems. For the 2019-21 fiscal biennium, the Pension Funding Council has adopted an employer contribution rate of 13.01 percent and an employee contribution rate of 8.25 percent.

---

### **Summary of Substitute Bill:**

School district contracts for pupil transportation services must provide certain amounts equivalent to school expenditures or allocations for benefits for employees of the contract employer performing services on the contract with the school district.

Between the effective date of the bill and December 31, 2019, any pupil transportation services contract must include sufficient funds for the contract employer to provide employees of the contractor with an employer health benefits contribution equal to the allocation rate for school employees, less the retiree remittance, plus an amount equivalent to the total employer and employee contribution rate to the School Employees' Retirement System.

Beginning January 1, 2020, any pupil transportation services contract must include sufficient funds for the contract employer to provide employees of the contractor with an employer

health benefits contribution equal to the rate established for the School Employees Benefits Board, less the retiree remittance, plus an amount equivalent to the total employer and employee contribution rate to the School Employees' Retirement System.

**Substitute Bill Compared to Original Bill:**

The substitute bill added that between the effective date of the bill and December 31, 2019, school district pupil transportation services contracts must include sufficient funds for the contract employer to provide health benefit contributions equal to the allocation rate for school employees, less the retiree remittance, plus an amount equivalent to the employer and employee contributions to the School Employees' Retirement System. The substitute also specifies that the provisions of the bill only apply to employees of the contract employer performing services on the contract with the school district.

---

**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date of Substitute Bill:** 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 issue of funding of employee benefits has been the source of an ongoing labor dispute in Seattle. The employer, First Student, offers health benefits but not at a cost that employees can afford. At one point, a bus driver paid two-thirds of his earnings to enroll in the First Student insurance, because the driver needed a knee replacement. No other drivers were enrolling because of the cost.

(Opposed) None.

(Other) Employees deserve affordable health care, but who pays for it? Districts are already facing large cost increases (\$200 million or more) for health benefits under the incoming School Employees Benefits Board. School districts also contract for food services—would similar treatment be extended to them in the future?

**Persons Testifying:** (In support) Jason Powell, Teamsters Local 763; and Russ Hayes.

(Other) Fred Yancey, Washington Association of School Administrators.

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