

# HOUSE BILL REPORT

## HB 1248

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**As Reported by House Committee On:**  
Appropriations

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

**Brief Description:** Concerning pupil transportation.

**Sponsors:** Representatives Stonier, Harris, Senn, Simmons, Ryu, Reeves, Bergquist, Eslick, Pollet and Reed.

**Brief History:**

**Committee Activity:**

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

**Brief Summary of Substitute Bill**

- Requires the Superintendent of Public Instruction to provide transportation safety net awards to school districts with excess special passenger costs for special education, homeless, and foster students, as defined in the operating budget.
- 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.
- Provides one-time supplemental allocations to districts that experience higher costs because of the new contract requirements.

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### HOUSE COMMITTEE ON APPROPRIATIONS

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 18 members: Representatives Ormsby, Chair; Bergquist, Vice Chair; Gregerson, Vice Chair; Macri, Vice Chair; Berg, Chopp, Davis, Fitzgibbon, Hansen, Lekanoff, Pollet,

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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.*

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, including transportation of students for special education services and between schools and learning centers.

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. 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.

Counts of basic and special program passengers are used in the STARS formula. Special program passengers include students in special education, bilingual programs, highly capable programs, homeless programs, and other program students transported by school bus or by district car route.

Amounts above the STARS allocation are provided to some school districts through the Transportation Alternate Funding Grant Program. These awards may be made based on district characteristics such as low enrollment, geographic constraints, or the percentage of homeless students served from outside the district under the federal McKinney-Vento Homeless Education Assistance Act (McKinney-Vento Act).

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.

#### 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 \$1,026 per employee per month in the 2022-23 school year.

For retirement, classified school employees are provided pension benefits through the School Employees' Retirement System, administered by the Department of Retirement Systems. For the 2023-25 fiscal biennium, the Pension Funding Council has adopted an employer contribution rate of 11.61 percent, and an employee contribution rate of 7.76 percent.

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

#### Transportation Special Passenger Safety Net.

The Superintendent of Public Instruction (SPI) must provide transportation safety net awards to school districts with a convincingly demonstrated need for additional funding for special passengers.

Special passengers include:

- special education students that require transportation as a related service of their Individualized Education Program;
- homeless students requiring transportation under the McKinney-Vento Act; and
- foster students receiving transportation as required under the Every Student Succeeds Act.

Awards are only provided if the school district's allowable transportation expenditures exceed amounts provided under state transportation allocation formulas and any costs reimbursed by child welfare agencies. Total safety net awards may not exceed the amount specified in the omnibus appropriations act.

Amounts awarded are outside the state's program of basic education. Charter schools and state-tribal compact schools are also eligible for awards.

The Transportation Alternate Funding Grant Program is revised to remove the percentage of students outside the district served under the McKinney-Vento Act from the review process for awards.

#### Pupil Transportation Contractor Benefits.

Any pupil transportation contract entered into, renewed, or extended after September 1,

2023, must require the contractor to provide benefits comparable to the SEBB program and the School Employees' Retirement System to employees, and 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; and
- an amount equivalent to the Plan 2 and 3 normal cost employer contribution rate of the School Employees' Retirement System multiplied by the estimated 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 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 a one-time supplemental transportation allocation of up to \$200 per reported contractor employee per month to school districts that experience an increase in costs because of the new contractor benefit requirements. Reported contractor employees are those that worked at least 630 hours under a pupil transportation contract with the district in the previous school year. The supplemental amounts must be used by the district as payments under pupil transportation services contracts for employee compensation.

#### **Substitute Bill Compared to Original Bill:**

The amended bill removes the sections establishing new transportation allocation formulas, monthly reporting and reimbursements for special passenger costs, and related audit and reporting provisions from the underlying bill.

A new section is added requiring the Superintendent of Public Instruction to administer transportation safety net awards to school districts with a convincingly demonstrated need for additional transportation funding for special passengers, which include special education, homeless, and foster students. Total amounts for safety net awards must be defined in the operating budget.

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**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 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 contracts 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.