

# SENATE BILL REPORT

## ESHB 1813

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As Reported by Senate Committee On:  
Early Learning & K-12 Education, April 1, 2019

**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:** House Committee on Appropriations (originally sponsored by Representatives Sullivan, Santos, Ortiz-Self and Ormsby).

**Brief History:** Passed House: 3/08/19, 56-39.

**Committee Activity:** Early Learning & K-12 Education: 3/25/19, 4/01/19 [DPA-WM, DNP, w/oRec].

### Brief Summary of Amended 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 that are equivalent to those received by school employees.

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### SENATE COMMITTEE ON EARLY LEARNING & K-12 EDUCATION

**Majority Report:** Do pass as amended and be referred to Committee on Ways & Means.

Signed by Senators Wellman, Chair; Wilson, C., Vice Chair; Hunt, McCoy, Pedersen and Salomon.

**Minority Report:** Do not pass.

Signed by Senators Holy, Padden and Wagoner.

**Minority Report:** That it be referred without recommendation.

Signed by Senators Hawkins, Ranking Member; Mullet.

**Staff:** Alex Fairfortune (786-7416)

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

**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 that is 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 that the district engages in an open competitive process for the services at least once every five years.

School Employee Benefits. In 2017 the Legislature created the School Employees Benefits Board (SEBB). 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. 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 adopted an employer contribution rate of 13.01 percent and an employee contribution rate of 8.25 percent.

**Summary of Amended Bill:** Between the effective date of the bill and December 31, 2019, a school district may only enter into a pupil transportation services contract with a nongovernmental entity that provides the following to its employees:

- an employer health benefits contribution equal to the allocation rate for school employees, less the retiree remittance; and
- an amount equivalent to the total employer contribution rate to the School Employees' Retirement System multiplied by the estimated salaries of the employees of the nongovernmental entity.

Beginning January 1, 2020, a school district may only enter into a pupil transportation services contract with a nongovernmental entity that provides the following to its employees:

- an employer health benefits contribution equal to the rate established for the state health benefits program for school employees, 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 that is subject to a collective bargaining agreement 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.

## **EFFECT OF EARLY LEARNING & K-12 EDUCATION COMMITTEE AMENDMENT(S):**

- Adds an intent section.
- 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 that are equivalent to those received by school employees.
- Limits the definition of employee to those that are subject to a collective bargaining agreement.
- Corrects a typo to reflect that the nongovernmental entity must provide an employer health contribution, rather than an employee health contribution, prior to January 1, 2020.
- Requires that the nongovernmental entity must provide an employer health contribution, rather than both an employee and employer health contribution, after January 1, 2020.
- Replaces references to the School Employees Benefits Board with a reference to the state health benefits program for school employees.

**Appropriation:** None.

**Fiscal Note:** Available. New fiscal note requested on March 12, 2019.

**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 Engrossed Substitute House Bill:** *The committee recommended a different version of the bill than what was heard.* PRO: Contracting school bus drivers have been shorted for years on the amount of money they receive. Money is provided to districts but it does not reflect back in the medical benefits the drivers receive from the contractor. There is a constant fight to keep school bus drivers because many leave to work for school districts that have great benefits. This should be a specification of the RFP process, just like anything else a contractor must provide.

CON: This will substantially increase costs for school districts. The money would be taken from local levy funds, resulting in reductions to staffing, materials, and supplies. For Battle Ground School Districts, the increase in cost would be \$2.6 million. Transportation is already underfunded, and with 2020 being a 45 percent lower collection amount than 2018 with local levies, there will need to be reductions to important school programs. This is in addition to the financial burden of implementing SEBB. The bill is technically and administratively unworkable. The bill requires that districts include sufficient funds to pay SEBB, but it does not require the contractor to actually provide the contribution to employees. It does not improve safety, student success, or special education funding. If this expectation is set, would it soon be applicable to other contractors like food services as well?

**Persons Testifying:** PRO: Abe Taylor, Teamsters 174; Joyce Hiatt, Teamsters 174.

CON: Fred Yancey, Washington Association of School Administrators; Meagan Hayden, Battle Ground School District and Chief Financial Officer; Michelle Scott, Hockinson School District Director of Business Services; Brian Sims, Washington State School Directors Association.

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