

SENATE BILL REPORT

ESHB 1813

As Reported by Senate Committee On:
Early Learning & K-12 Education, February 28, 2020
Ways & Means, March 2, 2020

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; 1/30/20, 60-36.

Committee Activity: Early Learning & K-12 Education: 3/25/19, 4/01/19 [DPA-WM, DNP, w/oRec]; 2/26/20, 2/28/20 [DPA-WM, DNP, w/oRec].

Ways & Means: 4/05/19, 4/09/19 [DPA (EDU), w/oRec, DNP]; 2/29/20, 3/02/20 [DPA, w/oRec, DNP].

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.
- Allows a school district to enter into a pupil transportation service contract with a nongovernmental entity that provides at least 85 percent of the required contributions if that school district only receives one bid for services.

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, Mullet, Pedersen and Salomon.

Minority Report: Do not pass.

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.

Signed by Senator Wagoner.

Minority Report: That it be referred without recommendation.

Signed by Senators Hawkins, Ranking Member; Holy, and Padden.

Staff: Alex Fairfortune (786-7416)

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass as amended.

Signed by Senators Rolfes, Chair; Frockt, Vice Chair, Operating, Capital Lead; Mullet, Capital Budget Cabinet; Billig, Conway, Darneille, Dhingra, Hasegawa, Hunt, Keiser, Liias, Pedersen and Van De Wege.

Minority Report: That it be referred without recommendation.

Signed by Senators Braun, Ranking Member; Becker and Carlyle.

Minority Report: Do not pass.

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

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 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: 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, for employees that are not eligible for health benefits through another employer-based insurance plan or a spouse or domestic partner's insurance plan with a similar value; 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.

If, after engaging in an open competitive process, a school district receives a bid or proposal to provide pupil transportation services from only one entity, the school district must re-open the competitive process. If the school district receives no additional bids or proposals, the school district may enter into a contract with an entity that provides at least 85 percent of the health and retirement benefit contributions required above. If a school district enters into such a contract, it must engage in a new competitive process for pupil transportation services every two years, rather than every five years.

"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 WAYS & MEANS COMMITTEE AMENDMENT(S):

- Provides that this bill null and void if specific funding for the provisions of the bill is not provided in the omnibus appropriations act.

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

- 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.
- Specifies that an employer health benefits contribution is only required for employees not eligible for health benefits through another employer-based group health insurance plan, or the plan of a spouse or domestic partner, that has benefits and premiums with an actuarial value of not less than 95 percent of the actuarial value of the health plan available to school employees.
- Requires school districts to reopen the competitive process upon receiving only one bid for the transportation contract.
- Allows the school district, if it receives no further bids, to enter into a transportation contract that provides at least 85 percent of the health and retirement contribution amounts provided to school district employees.

- Requires that, if a school district enters into a transportation contract that provides health and retirement contribution amounts that are less than those provided to school district employees, the school district must engage in a new competitive process every two years, rather than five.
- Defines "employee" 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 directly employed by the school district.

Appropriation: The bill contains a null and void clause requiring specific funding be provided in an omnibus appropriation act.

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 Engrossed Substitute House Bill (Early Learning & K-12 Education) (Regular Session 2019): *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 (Early Learning & K-12 Education): 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 (Early Learning & K-12 Education): No one.

Staff Summary of Public Testimony on Amended Bill (Early Learning & K-12 Education) (Regular Session 2020): PRO: The Teamsters support the striking amendment, which reduces the affected districts from fifteen to seven and makes sure there are no duplicate benefits. It also reduces parity if there is only a single bidder. Contracted bus drivers do the same job as school district bus drivers, and if these benefits are not provided they will have to strike to obtain them.

CON: The intent of the bill is good, but SEBB has not been fully funded and school districts are already facing a shortage. For example, Tacoma is facing potential underfunding of \$8 million, which translates to cutting staff and programs that help kids. This bill could cause additional underfunding of \$1.2 million. Although the bill says the contractors must pay, the reality is the costs will come back to the district. The Senate needs to find a way to fund the bill. Some districts have been contracting for years and getting bidders is hard to do. Some contractors already provide benefits, but not in a comparable amount.

Persons Testifying (Early Learning & K-12 Education): PRO: Abe Taylor, Teamsters 174.

CON: Clifford Traisman, Seattle Public Schools/Highline Public Schools; Mitch Thompson, Battle Ground Public Schools; Carla Santorno, Superintendent, Tacoma Public Schools.

Persons Signed In To Testify But Not Testifying (Early Learning & K-12 Education): PRO: Kerry Breakfield, Teamsters; Earl Johnson, citizen; Reva Miller, Teamsters 38; Cynthia Campbell, citizen.

CON: Fred Yancey, Washington Association of School Administrators; Marissa Rathbone, Washington State School Directors' Association.

Staff Summary of Public Testimony on the Bill as Amended by Early Learning & K-12 Education (Ways & Means) (Regular Session 2019): PRO: First student employees, in 2017, had to go on strike and that should not have to happen. There is no difference in quality or qualification of district bus drivers and contracted bus drivers, except district drivers get health care and retirement benefits. Buses are a petri dish, bus drivers are exposed to many germs and need health care. This does not require the state or districts to provide these benefits. There is enough money in the existing contracts to cover this.

CON: This will increase costs and will not make trips safer or improve student outcomes.

Persons Testifying (Ways & Means): PRO: Joyce Hiatt, Teamsters 174; Shaunie Wheeler James, Teamsters Joint Council.

CON: Brian Sims, Washington State School Directors Association.

Persons Signed In To Testify But Not Testifying (Ways & Means): No one.

Staff Summary of Public Testimony the Bill as Amended by Early Learning & K-12 Education (Ways & Means) (Regular Session 2020): *The committee recommended a different version of the bill than what was heard.* PRO: The striking amendment was intended to address many of these concerns. Contracting provides for the lowest bid but it does not mean it is a responsible bid. Contracted employees should also get these benefits. Many of these people are on Apple Care so the state will be paying for them either way.

CON: School districts also contract out food services and other functions. Everyone will want this increased cost for services that are already unfunded or underfunded. These added costs take away from classroom assistance. This bill should include a null and void clause and additional state funding. There are already problems with the transportation funding model and this should not be moved forward until those are fixed. This would make contract compliance for districts incredibly complicated.

Persons Testifying (Ways & Means): PRO: Shaunie Wheeler-James, Political and Legislative Director, Teamsters Joint Council.

CON: Fred Yancey, Washington Association of School Administrators; Melissa Gombosky, Spokane Public Schools; Brian Sims, Washington State School Directors Association; Charlie Brown, Tacoma Public Schools.

Persons Signed In To Testify But Not Testifying (Ways & Means): No one.