

# SENATE BILL REPORT

## SB 6176

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As of January 28, 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:** Senators Wilson, C., Hasegawa, Dhingra, Conway, Hunt, Keiser, Kuderer, Nguyen, Randall and Stanford.

**Brief History:**

**Committee Activity:** Early Learning & K-12 Education: 1/24/20.

**Brief Summary of 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

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

**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.

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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.*

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 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; 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 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.

**Appropriation:** None.

**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:** PRO: Sometimes school districts partner with nongovernmental entities to shave costs. Often times that is done at the expense of an employee's wage or benefits. This needs to be an even, competitive field. One bus driver paid \$836 a month for health benefits, and needed a hip surgery where the deductible was \$14,000. Seattle bus drivers have been battling over health coverage for the last seven years. The company offers some sort of coverage, but it is super expensive, they cannot cover their families, and the coverage is not worth it. So these drivers end up signing up for the Affordable Care Act. A multinational corporation is accepting money from a public institution and not providing healthcare for its employees, and then the employees have to sign up under the state. The company calls these employees part time even though they show up for work at 5 a.m. and have to be back to pick kids up at 2 p.m. The fact that Washington

is subsidizing this is insulting. Bus drivers for school districts drive the same buses and have better benefits.

CON: This bill shifts all the responsibility onto the school district and comes with a substantial cost. Just the cost of SEBB alone has driven excess costs that come out of levy dollars, taking away money from classrooms. Whatever is required of contractors will be passed on to districts. Many contractors already provide benefits, and this would require them to provide more. Part time employees under SEBB that make \$11,000 a year are receiving \$13,000 in benefits. This opens the door for all other contractors, such as food service providers, contract nurses, and independent contractors. In Seattle, there was only one bidder for last year's pupil transportation contract, and if they do not want to change their ways then the district will be stuck. SB 6189 asks that a study be done on the issue of SEBB, and the issue of transportation should be included in that study.

OTHER: There are two small school districts, Nine Mile Falls and Newport, that contract for services. Newport has 21 people and has contracted for services for over 15 years. SEBB is costing that district \$250,000 from the local levy and this would double that amount. These districts would appreciate an exemption.

**Persons Testifying:** PRO: Senator Claire Wilson, Prime Sponsor; Debbie Gath, Teamsters Local 38; Abe Taylor, Teamsters Local 174.

CON: Marissa Rathbone, Washington State School Directors' Association; Fred Yancey, Washington Association of School Administrators; Mitch Thompson, Battle Ground Public Schools; Clifford Traisman, Seattle Public Schools.

OTHER: Marie Sullivan, Eastern Washington Quality Schools Coalition.

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