

HOUSE BILL REPORT

SB 5539

As Passed House:

March 3, 2022

Title: An act relating to state funding for educational service districts.

Brief Description: Concerning state funding for educational service districts.

Sponsors: Senators Hunt and Wilson, C..

Brief History:

Committee Activity:

Appropriations: 2/22/22, 2/24/22 [DP].

Floor Activity:

Passed House: 3/3/22, 80-17.

Brief Summary of Bill

- Requires that state funding be provided to each educational service district (ESD) for the employer cost of school employees' benefits for employees of the ESD who are covered by collective bargaining.

HOUSE COMMITTEE ON APPROPRIATIONS

Majority Report: Do pass. Signed by 23 members: Representatives Ormsby, Chair; Bergquist, Vice Chair; Gregerson, Vice Chair; Macri, Vice Chair; MacEwen, Assistant Ranking Minority Member; Chopp, Cody, Dolan, Fitzgibbon, Frame, Hansen, Harris, Johnson, J., Lekanoff, Pollet, Rude, Ryu, Senn, Springer, Steele, Stonier, Sullivan and Tharinger.

Minority Report: Do not pass. Signed by 1 member: Representative Dye.

Minority Report: Without recommendation. Signed by 8 members: Representatives Stokesbary, Ranking Minority Member; Chambers, Assistant Ranking Minority Member;

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.

Corry, Assistant Ranking Minority Member; Boehnke, Caldier, Chandler, Jacobsen and Schmick.

Staff: James Mackison (786-7104).

Background:

School Employees' Benefits Board and State Health Benefits Funding.

In 2017 the Legislature created the nine-member School Employees' Benefits Board (SEBB) to provide health care and related benefits for all eligible public school employees and represented employees of educational service districts (ESDs). 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. Prior to the SEBB, each school district purchased health benefits separately and bargained locally with its employees regarding benefit packages.

State prototypical school funding formulas include funding for health benefits under the SEBB for state-funded staff units. To calculate state health benefit allocations, the Legislature sets a Health Benefits Rate that applies to each SEBB-eligible school employee, which in the current school year is \$968 per employee per month. That rate is applied to each staff unit generated by the state formulas and multiplied by a Benefit Allocation Factor, which for classified staff is 1.43 and certificated staff is 1.02. Staff types for which the state allocates benefits funding include: instructional staff, administrative staff, classified staff, district-wide support staff, and central office staff. Formulas for special education, bilingual, and other categorical programs also include health benefits in the calculation. Employers must pay the Health Benefit Rate for employees who are included in the SEBB but are not state funded.

Educational Service Districts.

There are nine regional ESDs in the state. Each is governed by a board consisting of seven to nine members elected by the school directors of the ESD. The ESDs' responsibilities include:

- providing cooperative, administrative, and informational services to and on behalf of local school districts; and
- assisting the Superintendent of Public Instruction and the State Board of Education in the performance of their duties.

The ESDs provide a variety of services, which are funded by several revenue sources. Services include back office administrative support, fiscal support, technology services, special education, early childhood education, institutional education, professional development, and other instructional and noninstructional programs. Revenue is provided to the ESDs though fees paid by school districts and others for fee for service and co-operative programs, state and federal grants, and direct state allocations.

Until 2024, ESDs are not required to participate in the SEBB for employees not represented in collective bargaining. According to a 2020 report by the HCA, approximately 2,687 headcount employees work in ESDs. An estimated 163 ESD employees participate in the SEBB as represented employees. The state directly allocates approximately 195 staff units to ESDs for various programs, and state allocations to school districts also indirectly support some ESD staff.

Summary of Bill:

State funding shall be provided to each ESD for the employer cost of the school employees' benefits provided to the employees of the ESD who are covered by a collective bargaining agreement.

Appropriation: None.

Fiscal Note: Preliminary fiscal note available.

Effective Date: 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 SEBB had a positive impact on employees by ensuring benefit equity. However, only a small portion of ESD 113 staff is funded by the state. Implementation costs for SEBB were \$2 million, with an ongoing cost of about \$1 million. This resulted in an initial reduction in force of about 100 employees and significant program redesign. This funding supports ESDs with collective bargaining in place. With the funding, ESDs would be able to work on pay equity and meeting the needs of families.

The Head Start program at ESD 113 serves children and families most impacted by poverty. The SEBB costs impact the ability to deliver this important program. The SEBB has also impacted staffing, and the ability to recruit and retain staff with living wages.

Unlike kindergarten through grade 12 overall, the state only provides funding for a small portion of ESDs' employees. Unfunded mandates like SEBB leave ESDs with limited options to handle the additional costs. This forced ESD 113 to reduce early learning services to vulnerable children. Funding is included in other operating budget proposals, and hopefully it will be considered in the conference budget.

The bill will have a notable impact on ESD employees and the families and children they serve. Employee representatives are working in partnership with ESD administration on the policy. The SEBB has expanded healthcare, which is appreciated, but the expansion comes at a cost. Services have been cut and positions eliminated. There is an incongruity in efforts to increase economic stability for vulnerable children and families through policies

like the Working Families Tax Credit, while creating an unfunded SEBB mandate for a Head Start program designed to serve the same families. Employees are also impacted. Wages were already low, and the unfunded SEBB mandate has made it difficult to improve them. This funding is consistent with other policies in the state to address economic disparities.

The SEBB implementation had a significant economic impact on the Head Start Program. Staff was decreased, and large portions of the program were contracted out. Approximately 24 percent of program positions are vacant. The unfunded mandate prevents offering competitive pay to staff working with young children. There is staff turnover because wages are not enough to live on or raise a family. Staff turnover disrupts educational continuity for at-risk students. Funding is needed so that students can be provided with all the support they need at the start of their education.

(Opposed) None.

Persons Testifying: Dana Anderson and Troy Nichols, Capital Region Educational Service District 113; Tracye Ferguson, Early Learning; Karen Strickland, American Federation of Teachers Washington; and Amanda Lalicker, Federation of Head Start Employees Local 6153.

Persons Signed In To Testify But Not Testifying: None.