
Appropriations Committee

HB 1248

Brief Description: Concerning pupil transportation.

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

Brief Summary of Bill

- Requires school districts to report transportation expenditures monthly for students that are homeless, in foster care, or receiving special education, beginning in the 2023-24 school year.
- Replaces pupil transportation funding formulas with a new formula based on per-pupil and per-mile rates, and reimbursement of reported special passenger costs beginning in the 2024-25 school year.
- Requires the Office of the Superintendent of Public Instruction to provide the 2022-23 allocation increased for inflation if greater than the new formula.
- 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.

Hearing Date: 1/23/23

Staff: James Mackison (786-7104).

Background:

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.

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.

Summary of Bill:

Beginning in the 2023-24 school year, school districts must report allowable transportation expenditures for the following special passenger groups monthly:

- 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, excluding excess costs covered by state or local child welfare agencies.

Beginning in the 2024-25 school year, the section defining the STARS regression formula is repealed, and is replaced with a new allocation formula. A school district receives the sum of the following amounts if greater than its 2022-23 STARS allocation:

- \$1,900 times the average number of riders in the previous school year, multiplied by 0.86;
- \$0.82 time the total mileage transporting students to and from school, multiplied by 0.14; and
- reimbursements of allowable transportation expenditures for special passenger groups reported above.

For purposes of the formula, the 2022-23 allocation, \$1,900 per rider, and \$0.86 per mile amounts are increased for inflation by the Implicit Price Deflator from the 2022-23 school year.

Reimbursements for special passenger groups through December of a school year are based on special passenger expenditures reported for the prior year, and allocations are adjusted each month thereafter based on current year reported expenditures so that districts receive allocations for all reimbursable costs within a school year. The OSPI must recover any amounts distributed prospectively that exceed the school districts total allowable transportation expenditures for that year.

If a school district's reimbursable costs exceed 105 percent of the state average reimbursable cost per student, the State Auditor must review the transportation costs to ensure they are necessary and reasonable costs attributable to transporting students.

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.

The OSPI must provide an analysis of school district transportation costs and allocations for the 2023-24 school year by January 1, 2025. The analysis must include the mileage, ridership, and costs for each district, disaggregated by the following groups: students with disabilities, students who are homeless, students in foster care, and all other students transported to and from school. The Legislature intends to use this data to inform its future discussions and reviews of the student transportation allocation model to remain predictable and transparent.

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.

Appropriation: None.

Fiscal Note: Requested on January 13, 2023.

Effective Date: The bill contains multiple effective dates. Please see the bill.