

# SENATE BILL REPORT

## ESHB 1248

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As of February 24, 2024

**Title:** An act relating to pupil transportation.

**Brief Description:** Concerning pupil transportation.

**Sponsors:** House Committee on Appropriations (originally sponsored by Representatives Stonier, Harris, Senn, Simmons, Ryu, Reeves, Bergquist, Eslick, Pollet and Reed).

**Brief History:** Passed House: 2/8/24, 57-39.

**Committee Activity:** Early Learning & K-12 Education: 2/15/24, 2/21/24 [DPA-WM, DNP, w/oRec].

Ways & Means: 2/24/24.

### Brief Summary of Amended Bill

- Provides that school districts may only enter into, renew, or extend pupil transportation services contracts with private nongovernmental entities that provide employee health and retirement benefits comparable to those received by school employees.
- Directs the Office of the Superintendent of Public Instruction to reimburse school districts for increased costs due to providing these benefits and provides a formula for calculating the reimbursement.

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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; Nobles, Vice Chair; Wilson, C., Vice Chair; Hunt and Pedersen.

**Minority Report:** Do not pass.  
Signed by Senators Hawkins, Ranking Member; Dozier and McCune.

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

**Minority Report:** That it be referred without recommendation.  
Signed by Senator Mullet.

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

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## SENATE COMMITTEE ON WAYS & MEANS

**Staff:** Richard Ramsey (786-7909)

**Background:** State Funding Formulas for 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.

Pupil Transportation Service 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. 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 \$1,100 per employee per month in the 2023-24 school year.

For retirement, classified school employees are provided pension benefits through the School Employees' Retirement System (SERS), administered by the Department of Retirement Systems. For the 2023-24 school year, the employer contribution rate is 10.73 percent excluding administrative fees, and the employee contribution rate is 7.76 percent.

**Summary of Amended Bill:** Contractor Benefits. A school district may only enter into, renew, or extend a pupil transportation services contract with a private nongovernmental entity if that entity provides the following to, or on behalf of, its employees who choose to

opt in for coverage:

- an employer health benefits contribution equal to the employer payment dollar amount in effect for the first year of the contract for health care benefit rates—cockle rates, published annually by HCA, for the SEBB program for school employees; and
- an amount equivalent to the salaries of the employees of the private nongovernmental entity multiplied by the employer normal cost contribution rate determined under the entry age cost method for the SERS, as published in the most recent actuarial valuation report from the Office of the State Actuary for the first year of the contract.

Employees are defined as in-state employees of the private nongovernmental entity working sufficient compensated hours performing services pursuant to the contract with the school district to meet the eligibility requirements for the SEBB program if the employees were directly employed by a school district.

All pupil transportation service contracts entered into or modified after the bill's effective date must include a detailed explanation of any contract cost increase by year, expenditure type, and amount, including any increases in cost that result from providing the required benefits.

For contracts that are entered into, renewed, or extended in the 2024 calendar year, the benefits must be provided to employees by the beginning of the 2025-26 school year.

State Reimbursement of Costs. Subject to amounts appropriated, OSPI must provide supplemental transportation allocations to reimburse school districts for increases in costs directly attributable to the new contractor benefit requirements. The reimbursement must be based on the total contract cost increase, less the portion of the increase not attributable to benefits required under the bill, less the increase in allocations based on the actual cost increase through the transportation funding formula.

Beginning September 1, 2024, school districts that contract for pupil transportation services must report:

- a breakdown of the total contract increase to show the required dollar equivalency for health care and retirement benefits;
- a breakdown from the contractor showing the cost of healthcare and pension benefits before and after the implementation of benefits required in the bill; and
- the amounts received under state transportation formulas before and after the implementation of SEBB to determine funding already being included.

OSPI may suspend these reporting requirements on or after September 1, 2027, for school districts that do not request supplemental transportation allocations.

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

- Requires that benefits be provided to employees by the beginning of the 2025-26 school year for contracts entered into, renewed, or extended in the 2024 calendar year.

**Appropriation:** The bill contains a section or sections to limit implementation to the availability of amounts appropriated for that specific purpose.

**Fiscal Note:** Available. New fiscal note requested on February 15, 2024.

**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):** *The committee recommended a different version of the bill than what was heard.* PRO: This is one of a few proposals in front of the Legislature as a way to account for the least predictable costs and bring stability to school districts. When SEBB was created it helped stabilize some of the school districts. This would give drivers parity with colleagues who are hired by school districts. Attracting and retaining qualified bus drivers is a challenge in certain areas, and bus drivers can't afford the plans currently available.

OTHER: There are concerns about the 2024 start date as it would mean finding a plan, changing to that plan, and getting the information out. It would be helpful to have another year to get that going. There are also worries that the supplemental allocation may not be available in three years when new contracts come up. The bill proposes to cover costs subject to appropriation and it would be better to have this funding guaranteed.

**Persons Testifying (Early Learning & K-12 Education):** PRO: Representative Monica Jurado Stonier, Prime Sponsor; Earl Johnson; Debbie Gath, IBT; Charles West.

OTHER: Carolyn Logue, Washington State Student Transportation Coalition; Mike Gunn, Everett Public Schools; Charlie Brown, Tacoma Public Schools.

**Persons Signed In To Testify But Not Testifying (Early Learning & K-12 Education):** No one.

**Staff Summary of Public Testimony on Bill as Amended by Early Learning & K-12 Education (Ways & Means):** PRO: If you mandate that the costs get put on to contracts, they will flow down to school districts. We absolutely need this to be funded. The bus drivers for the Nine Mile Falls school district receive benefits. It will be financially devastating unless the Legislature fully funds this required benefit. The cost of health benefits rides heavy on the hearts of those employed by First Student. We still come up short to get the medical care we need to stay healthy. In Everett we have both school

employees who get SEBB benefits and contracted bus drivers who do not.

OTHER: The House budget does not come close to paying for the cost of transportation. The amendment put on in the Education Committee that says the benefits would not be paid until the 2024-25 school year gives us time to do all the things we need to do to actually fund the plans.

**Persons Testifying (Ways & Means):** PRO: Earl Johnson; Debbie Gath, IBT L38.

OTHER: Charlie Brown, Federal Way SD and South Sound Superintendents; Carolyn Logue, WA State Student Transportation Coalition; Jeff Baerwald, Nine Mile Fall School District.

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