

Multiple Agency Fiscal Note Summary

Bill Number: 5873 SB	Title: Student transportation
-----------------------------	--------------------------------------

Estimated Cash Receipts

NONE

Agency Name	2023-25		2025-27		2027-29	
	GF- State	Total	GF- State	Total	GF- State	Total
Local Gov. Courts						
Loc School dist-SPI	Non-zero but indeterminate cost and/or savings. Please see discussion.					
Local Gov. Other						
Local Gov. Total						

Estimated Operating Expenditures

Agency Name	2023-25				2025-27				2027-29			
	FTEs	GF-State	NGF-Outlook	Total	FTEs	GF-State	NGF-Outlook	Total	FTEs	GF-State	NGF-Outlook	Total
Office of State Auditor	Fiscal note not available											
Superintendent of Public Instruction	Fiscal note not available											
Total \$	0.0	0	0	0	0.0	0	0	0	0.0	0	0	0

Agency Name	2023-25			2025-27			2027-29		
	FTEs	GF-State	Total	FTEs	GF-State	Total	FTEs	GF-State	Total
Local Gov. Courts									
Loc School dist-SPI	Non-zero but indeterminate cost and/or savings. Please see discussion.								
Local Gov. Other									
Local Gov. Total									

Estimated Capital Budget Expenditures

Agency Name	2023-25			2025-27			2027-29		
	FTEs	Bonds	Total	FTEs	Bonds	Total	FTEs	Bonds	Total
Office of State Auditor	Fiscal note not available								
Superintendent of Public Instruction	Fiscal note not available								
Total \$	0.0	0	0	0.0	0	0	0.0	0	0

Agency Name	2023-25			2025-27			2027-29		
	FTEs	GF-State	Total	FTEs	GF-State	Total	FTEs	GF-State	Total
Local Gov. Courts									
Loc School dist-SPI	Non-zero but indeterminate cost and/or savings. Please see discussion.								
Local Gov. Other									
Local Gov. Total									

Estimated Capital Budget Breakout

NONE

Prepared by: Brian Fechter, OFM	Phone: (360) 688-4225	Date Published: Final 1/16/2024
--	---------------------------------	---

Individual State Agency Fiscal Note

Bill Number: 5873 SB	Title: Student transportation	Agency: SDF-School District Fiscal Note - SPI
-----------------------------	--------------------------------------	--

Part I: Estimates

No Fiscal Impact

Estimated Cash Receipts to:

Non-zero but indeterminate cost and/or savings. Please see discussion.

Estimated Operating Expenditures from:

Non-zero but indeterminate cost and/or savings. Please see discussion.

Estimated Capital Budget Impact:

NONE

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

- If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.
- If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- Capital budget impact, complete Part IV.
- Requires new rule making, complete Part V.

Legislative Contact: Alex Fairfortune	Phone: 360-786-7416	Date: 01/02/2024
Agency Preparation: Troy Klein	Phone: 360 725-6294	Date: 01/16/2024
Agency Approval: Michelle Matakas	Phone: 360 725-6019	Date: 01/16/2024
OFM Review: Brian Fechter	Phone: (360) 688-4225	Date: 01/16/2024

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Significant provisions of the bill and any related workload or policy assumptions that have revenue or expenditure impact on the responding agency by section number.

Section 1 is an intent section of the bill.

Section 2 requires that by June 1, 2027, the Office of the Superintendent of Public Instruction (OSPI) must provide the legislature an analysis of school district expenditures and allocations following the 2025-26 school year. Data that must be included in the analysis is: mileage, ridership and costs for each district separated by passenger categories (special transportation services, McKinney-Vento, Foster Care, Skill Centers, and all other students). The legislature intends to use the information for future discussions related to revising the overall student transportation funding model to a more transparent and predictable model.

Section 4 changes definitions in RCW 28A.160.160:

Section (1): Distinct passenger categories includes the following:

Students who require special transportation services to access special education services that are documented in an approved individualized education program under chapter 28A.155 RCW;

Students who meet the definition of homeless where transportation is required by the McKinney-Vento homeless assistance act or other federal requirements;

Students who are in foster care where transportation is required outside of the normal school district boundary; and

Students attending skill centers.

Section 5 of the bill changes district ridership reporting from three times a year to: the following reports on a timely basis. The three times a year is now in Section 1(a).

New to 28A.160.170:

Section 5(1)(b): Districts will submit quarterly reports of allowable transportation expenditures for distinct passengers, and prior year data, adjusted for inflation, must be used to determine the current school year reimbursement.

Section 5(2): OSPI must adopt accounting rules and reporting rules to implement the new funding guidelines. OSPI may streamline reporting requirements for small districts.

Section 5(3): Inflation means the implicit price deflator for that fiscal year.

Section 6(1) requires that beginning in the 2025-26 school year, OSPI will reimburse, quarterly, 100% of district passenger transportation expenditures, and school districts will need to submit reimbursement claims, quarterly, on an OSPI determined schedule that is consistent with other reimbursement-based programs.

Section 6(2) requires that all other allocations will follow the current law determined timeline.

Section 7 of the bill makes changes RCW 28A.160.180.

Section 7(1)(a) requires that the annual transportation allocation must (was may) be adjusted to include basic and special passenger counts as defined by OSPI and shall include the total sum of miles driven. the language relating to a regression analysis basis is removed.

Section 7(1)(b) removes the legislative report due prior to June 1st of each year that outlines the methodology and rationale to determine the coefficients.

Section 7(1)(c): The allocation determined under the new formula, must be adjusted by the following multipliers for qualifying districts, as determined by OSPI:

1. A multiplier that addresses the unique transportation challenges of high population density urban school district.

2. A multiplier that addresses the unique transportation challenges of rural, geographically large districts that have a low number of schools in proportion to the geographic size of the district.

Section 7(2) requires that beginning in the 2025-26 school year, OSPI will determine districts' allocation by:

Section 7(2)(a)(i) reimburse districts 100% of reported distinct passenger expenditures attributable to serving students in distinct passenger categories.

Section 7(2)(a)(ii) OSPI rules that define allowable expenditures for district passengers that at least include school bus transportation, school bus contractors, district owned vehicles, and other vehicles operated by third party providers when determined to be the most appropriate or cost-effective mode of transportation for distinct passengers.

Section 7(2)(b) The transportation allocation will be determined annually, excluding services provided for distinct passengers. The formula must be:

Section 7(2)(b)(i) adjusted for basic and special passenger counts and total miles driven.

Section 7(2)(b)(ii) provides that the transportation allocation for transporting students in district-owned passenger cars must be included in corresponding basic or special passenger counts.

Section 7(2)(c) the transportation allocation amount determined under the new formula, must be adjusted by multipliers for qualifying districts, as determined by OSPI:

Section 7(2)(c)(i) a high population density urban district multiplier of 1.6 for districts that have an FTE student enrollment of over 25,000 students; and

Section 7(2)(c)(ii) beginning no later than 2026-27 school year, a multiplier or set of tiered multipliers developed by OSPI that addresses the unique challenges faced by rural, geographically large districts that have a low number of schools in proportion to the geographic size of the district.

Section 7(3) requires that annually the transportation allocations determined under the new formula shall be adjusted for any budgetary increases provided in the omnibus appropriations act for salaries and fringe benefits.

Section 7(4)(a) requires OSPI to identify and collect necessary data to update the model in subsequent biennia and to identify district allocation outliers.

Section 7(4)(b) requires that prior to June 1st of each year, OSPI will submit to the legislature a report outlining the methodology and rationale used to determine the allocation for the following year.

Section 8(1) beginning in the 2024-25 school year and each year until 2027-28, districts will receive an allocation that is not less than its total student transportation allocation during the 2022-23 school year as adjusted for inflation.

Section 8(2) requires that if transportation expenditures exceed the 2022-23 allocation and leads to a funding deficit, and the district receives hold harmless funding, additional allocation will be provided that reduces the differential by 0.5% for each school year the district qualifies. The funding differential will be calculated each year using updated expenditures and allocations from the prior school year and adjusted for inflation.

Section 8(3) provides a definition of inflation for the bill.

Section 8(4) states that this section of the bill expires July 1, 2028.

Section 9 requires that beginning in the 2025-26 school year and each year after, if a district's transportation expenditures exceed 110% of the average per student expenditure amount in similar school districts, the state auditor must conduct a review. OSPI must adopt rules to categorize similar school districts and notify the state auditor when a review is required.

Section 10(1)(b) after September 1, 2024, any pupil transportation services entered into or extended, must require the contractor to provide benefits comparable to district employee benefits.

Section 10(2)(a) defines that employees of the contractor means an employee who works enough hours under contract for the district to meet district employee benefit eligibility requirements.

Section 11(1) subject to funds appropriated for this specific purpose, OSPI must provide a one-time supplemental allocation to districts that experience an increase in costs due to the increase in contract with contractors due to RCW 28A.160.140.

Section 11(2) requires that for eligibility, a district must report to OSPI the number of employees under contract that worked at least 630 hours under the contract.

Section 11(3) states that this funding can only be used by districts as payments under contract for employee compensation.

Section 11(4) requires that the supplemental allocation may not exceed \$200 per employee per month for the contracted employees reported in section 11(2).

Section 12(8)(b) removes the Department of Children, Youth, and Families (DCYF) reimbursement for half of district excess costs for foster care transportation from RCW 28A.225.350.

Section 13(1) RCW 28A.160.192 (STARS distribution formula) is repealed.

Section 13(2) RCW 28A.160.196 (Transportation Alternative Grant program) is repealed.

II. B - Cash receipts Impact

Cash receipts impact of the legislation on the responding agency with the cash receipts provisions identified by section number and when appropriate, the detail of the revenue sources. Description of the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explanation of how workload assumptions translate into estimates. Distinguished between one time and ongoing functions.

Section 11 of the bill, subject to funds appropriated for this specific purpose, requires that OSPI provide a one-time supplemental allocation to districts that experience an increase in costs due to the increase in contract with contractors due to RCW 28A.160.140, and requires that for eligibility, a district must report to OSPI the number of employees under contract that worked at least 630 hours under the contract. This Sections cash receipt impact is indeterminate, however OSPI can estimate approximately \$13.5 million for one-time receipts in FY 2025, however, the actual cash receipt impact for section 11 will be based on actual agreements negotiated by districts and their transportation providers. OSPI assumes that it would receive an appropriation and pass the funds to school districts who would then distribute the funding.

II. C - Expenditures

Agency expenditures necessary to implement this legislation (or savings resulting from this legislation), with the provisions of the legislation that result in the expenditures (or savings) identified by section number. Description of the factual basis of the assumptions and the method by which the expenditure impact is derived. Explanation of how workload assumptions translate into cost estimates. Distinguished between one time and ongoing functions.

SB 5873 would have an indeterminate expenditure impact on school districts.

Sections 5, 6, 9, and 11 of the bill would have an expenditure impact on school districts but OSPI is not able to quantify an exact expenditure amount. However, based on school district responses OSPI is able to provide a range of how much those Sections of the bill could cost.

Section 5 requires school districts to report quarterly information to OSPI related to allowable transportation expenditures for distinct passenger categories. Prior year data must be used to determine current school year reimbursements, adjusted for inflation. Section 6 of the bill requires that school districts will need to submit reimbursement claims, quarterly, on an OSPI determined schedule that is consistent with other reimbursement-based programs. The expenditure impact is indeterminate but based on responses received from school districts OSPI estimates that the cost impact could be between \$4,500 to \$5,100 per school district for districts that claim these transportation expenses. OSPI knows that 42 districts qualified for safety net funding last year. More likely would have applied if expenditures were increased by the inflation rate. Also, skill center transportation was not included as a distinct passenger.

Under the assumption that only the districts that qualified for safety net funding last year, which is assumed to be a lower number than would currently qualify under the bill, OSPI estimates as an example for this fiscal note that there would be 42 districts that would claim transportation expenses between \$4,500 and \$5,100 each per fiscal year. The estimated total cost range is between \$189,000 (42 districts x \$4,500) and \$214,200 (42 districts x \$5,100) per state fiscal year starting in FY 2025.

Section 9 of the bill requires that beginning in the 2025-26 school year and each year after, if a district's transportation expenditures exceed 110% of the average per student expenditure amount in similar school districts, the state auditor must conduct a review. This cost is indeterminate, but OSPI estimates that between 100 and 110 districts would need to be audited under the language in the bill. If OSPI assumes 40 hours of audit time per district, and a rate of \$200 per hour, the range for the total annual cost would be as follows:

from 100 districts X 40 hours X \$200 per hour or \$800,000 per year starting in FY 2026 for additional audit costs to school districts to 110 districts X 40 hours X \$200 per hour or \$880,000 per year starting in FY 2026 for additional audit costs to school districts.

Section 11 of the bill, subject to funds appropriated for this specific purpose, requires that OSPI provide a one-time supplemental allocation to districts that experience an increase in costs due to the increase in contract with contractors due to RCW 28A.160.140, and requires that for eligibility, a district must report to OSPI the number of employees under contract that worked at least 630 hours under the contract. This Sections expenditure impact is indeterminate, however OSPI can estimate approximately \$13.5 million for one-time costs in FY 2025, however, the actual expenditure impact for section 11 will be based on actual agreements negotiated by districts and their transportation providers. OSPI assumes that it would receive an appropriation and pass the funds to school districts who would then distribute the funding.

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

Non-zero but indeterminate cost and/or savings. Please see discussion.

III. B - Expenditures by Object Or Purpose

Non-zero but indeterminate cost and/or savings. Please see discussion.

III. C - Operating FTE Detail: *FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part I and Part IIIA.*

NONE

III. D - Expenditures By Program (optional)

NONE

Part IV: Capital Budget Impact

IV. A - Capital Budget Expenditures

NONE

IV. B - Expenditures by Object Or Purpose

NONE

IV. C - Capital Budget Breakout

Acquisition and construction costs not reflected elsewhere on the fiscal note and description of potential financing methods.

NONE

IV. D - Capital FTE Detail: *FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part IVB.*

NONE

Part V: New Rule Making Required

Provisions of the bill that require the agency to adopt new administrative rules or repeal/revise existing rules.

Section 5 of the bill requires OSPI to adopt accounting and reporting rules.

Section 9 of the bill requires OSPI to adopt rules to categorize similar school districts and notify the state auditor when a review is required.