

Multiple Agency Fiscal Note Summary

Bill Number: 5873 SB	Title: Student transportation
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Estimated Cash Receipts

Agency Name	2023-25			2025-27			2027-29		
	GF-State	NGF-Outlook	Total	GF-State	NGF-Outlook	Total	GF-State	NGF-Outlook	Total
Office of State Auditor	0	0	0	0	0	417,000	0	0	834,000
Total \$	0	0	0	0	0	417,000	0	0	834,000

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	.0	0	0	0	1.2	0	0	417,000	2.4	0	0	834,000
Superintendent of Public Instruction	In addition to the estimate above, there are additional indeterminate costs and/or savings. Please see individual fiscal note.											
Total \$	0.2	0	0	0	1.5	0	0	417,000	2.7	0	0	834,000

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	.0	0	0	.0	0	0	.0	0	0
Superintendent of Public Instruction	.0	0	0	.0	0	0	.0	0	0
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 1/23/2024
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Individual State Agency Fiscal Note

Bill Number: 5873 SB	Title: Student transportation	Agency: 095-Office of State Auditor
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Part I: Estimates

No Fiscal Impact

Estimated Cash Receipts to:

ACCOUNT	FY 2024	FY 2025	2023-25	2025-27	2027-29
Municipal Revolving Account-State 413-1				417,000	834,000
Total \$				417,000	834,000

Estimated Operating Expenditures from:

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	0.0	0.0	0.0	1.2	2.4
Account					
Municipal Revolving Account-State 413-1	0	0	0	417,000	834,000
Total \$	0	0	0	417,000	834,000

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: Charleen Patten	Phone: 564-999-0941	Date: 01/05/2024
Agency Approval: Janel Roper	Phone: 564-999-0820	Date: 01/05/2024
OFM Review: Amy Hatfield	Phone: (360) 280-7584	Date: 01/08/2024

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 9 – Requires the State Auditor’s Office (SAO) to review a school districts’ transportation expenditures when the average per-student reimbursement amount exceeds 110 percent of the amount in similar school districts. This review must be included in the regular audits of school districts review of transportation costs to ensure they are necessary and reasonable. The Office of the Superintendent of Public Instruction (OSPI) will adopt rules to categorize districts and will notify the SAO when a review of a district is necessary. This requirement begins in the 2025-26 school year and continues each year thereafter.

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.

Through discussion with the Office of Superintendent of Public Instruction (OSPI) for the purposes of this fiscal note, we used an estimate of 100 school districts that may exceed the 110 percent of expenditures and would require a review their transportation expenditures during our Accountability Audits.

Each review is anticipated to take an additional 24 hours per district (2,400 total) which would be performed by an additional 1.5 FTE Assistant State Auditor. In addition, we estimate an additional .5 FTE to perform 600 hours per year for centralized planning and oversight. Total hours to be billed annually is estimated to be 3,000 hours.

Cash receipts were calculated at the current local billing rate of \$139 per hour. Actual cash receipts will be dependent on the applicable billing rate in effect when the work is performed.

The increased audit work associated with this bill would be billed to each of the projected 100 school districts where the audit work is performed.

Considering the bill's implementation outlined for the 2025-26 school fiscal year for districts to be under the 110 percent, we anticipate we will begin this work in Fiscal Year 2027.

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.

The State Auditor uses an activity-based cost allocation model and overhead is allocated based on actual direct expenses. To reflect this, in addition to the increased direct audit expenses related to the additional audit and management FTEs, we include an estimated cost to support the additional administrative and overhead expense. Good and Services and Travel costs are based on actual expenses for this level of effort.

All expenses associated with this work would be paid for through the Municipal Revolving Account using revenues generated from this work.

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

Account	Account Title	Type	FY 2024	FY 2025	2023-25	2025-27	2027-29
413-1	Municipal Revolving Account	State	0	0	0	417,000	834,000
Total \$			0	0	0	417,000	834,000

III. B - Expenditures by Object Or Purpose

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years				1.2	2.4
A-Salaries and Wages				242,633	485,266
B-Employee Benefits				81,871	163,742
C-Professional Service Contracts					
E-Goods and Other Services				87,496	174,992
G-Travel				5,000	10,000
J-Capital Outlays					
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements					
9-					
Total \$	0	0	0	417,000	834,000

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

Job Classification	Salary	FY 2024	FY 2025	2023-25	2025-27	2027-29
Admin/Overhead	77,040				0.2	0.4
Assistant State Auditor 3	111,458				0.8	1.5
Audit Manager	125,628				0.3	0.5
Total FTEs					1.2	2.4

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.

Individual State Agency Fiscal Note

Bill Number: 5873 SB	Title: Student transportation	Agency: 350-Superintendent of Public Instruction
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Part I: Estimates

No Fiscal Impact

Estimated Cash Receipts to:

NONE

Estimated Operating Expenditures from:

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	0.0	0.4	0.2	0.3	0.3
Account					
Total \$					

In addition to the estimates above, there are additional indeterminate costs 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: 01/15/2024
Agency Approval: Michelle Matakas	Phone: 360 725-6019	Date: 01/15/2024
OFM Review: Brian Fechter	Phone: (360) 688-4225	Date: 01/15/2024

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.

The bill would have no cash receipts impact to OSPI.

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.

The overall expenditure impact of this bill on OSPI is indeterminate but OSPI can quantify a number of the costs in the bill.

Sections 4 and 5 of this bill would require OSPI to update the accounting manual rules and other guidance to clearly define and describe "special passengers", and OSPI to design a system to collect quarterly information of allowable transportation expenditures. Section 6 of the bill would require that beginning in the 2025-26 school year, OSPI reimburse, quarterly, 100% of district passenger transportation expenditures base on school districts submitting reimbursement claims, quarterly, on an OSPI determined schedule that is consistent with other reimbursement-based programs.

OSPI costs for Sections 4, 5, and 6:

An Apportionment Program Manager at a WMS 2 level, at about 20 hours staff time is needed to account for writing accounting guidance, training slides for Local Education Agencies (LEAs), and testing School Apportionment and Financial Services (SAFS) fiscal system changes. The total cost for this is estimated at about \$2,000 in FY 2025.

In addition, rulemaking is required by OSPI in order to implement the new funding guidelines in Section 5. OSPI estimates that this would require about 102 hours for a Director at a WMS 2 level, 21 hours for an Executive Assistant Confidential Secretary, 17 hours for an Assistant Superintendent exempt, and 75 hours for a Program Coordinator exempt. The estimated cost for the rulemaking work is \$21,000 in FY 2025.

Section 6 would require a contractor at a cost of about \$85,000 in FY 2025 for updating the SAFS apportionment system and fiscal systems with new revenue and accounting codes.

Section 7 of the bill has a cost that is indeterminate due to the data to be collected from the as yet built new system that will be required in order to be able to calculate a new transportation formula, OSPI does not deem there to be enough information to provide a net cost of the new transportation formula. However, we believe the contractor cost to create the new IT system in order to collect the information needed for the special passenger groups and to calculate the new transportation formula will be about \$1,405,000 in FY 2025, and \$832,000 in FY 2026.

Section 8 of the bill has an indeterminate cost as OSPI is unable to determine a hold harmless amount without calculating the cost of the new transportation formula in section 7.

Section 9 of the bill requires OSPI to adopt rules and work with the State Auditor Office (SAO) on a data/information exchange. OSPI estimates that the rulemaking required in order to implement this Section would be about 102 hours for a Director at a WMS 2 level, 21 hours for an Executive Assistant Confidential Secretary, 17 hours for an Assistant Superintendent exempt, and 75 hours for a Program Coordinator exempt. The estimated cost for the rulemaking work is \$20,000 in FY 2026.

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 cost impact is indeterminate, however OSPI can estimate that this work would require a .25 FTE Apportionment Program Manager at a WMS 2 level starting in FY 2025. This cost would be about \$43,000 in FY 2025, and \$40,000 in years after. Also, OSPI estimates approximately \$13.5 million for one-time costs in FY 2025, however, the fiscal impact for section 11 will be based on actual agreements negotiated by districts and their transportation providers.

See attached table for summary of known costs.

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

In addition to the estimates above, there are additional indeterminate costs and/or savings. Please see discussion.

III. B - Expenditures by Object Or Purpose

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years		0.4	0.2	0.3	0.3
A-Salaries and Wages					
B-Employee Benefits					
C-Professional Service Contracts					
E-Goods and Other Services					
G-Travel					
J-Capital Outlays					
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements					
9-					
Total \$	0	0	0	0	0

In addition to the estimates above, there are additional indeterminate costs 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: *List FTEs by classification and corresponding annual compensation. Totals need to agree with total FTEs in Part I and Part IIIA*

Job Classification	Salary	FY 2024	FY 2025	2023-25	2025-27	2027-29
Apportionment Program Manager WMS 2	96,648		0.3	0.1	0.3	0.3
Assistant Superintendent Exempt	164,280		0.0	0.0	0.0	
Executive Assistant Confidential Secretart Exempt	69,708		0.0	0.0	0.0	
Rules Coordinator Exempt	86,316		0.0	0.0	0.0	
Transportation Director WMS 2	107,748		0.1	0.0	0.0	
Total FTEs			0.4	0.2	0.3	0.3

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.

SB 5873 - Identifiable State Costs

Note: While the overall cost of the bill is indeterminant, identifiable costs are show below.

Bill Section	Activities	FY 25 Cost	FY 26 Cost	FY 27 Cost
Sections 4, 5, & 6	Drafting accounting guidance, School District training materials, testing IT system changes for SAFS (School Apportionment and Financial Services)	\$2,000		
Section 5	Implementing new funding guidelines.	\$21,000		
Section 6	Updating new SAFS systems with new revenue and accounting codes.	\$85,000		
Section 7	IT contractor costs of programming new allocation system.	\$1,405,000	\$832,000	
Section 9	Rule making.		\$20,000	
Section 11	Non-employee staff reporting and calculation of benefit allocation annually.	\$43,000	\$40,000	\$40,000
Total Known Costs of SB 5873		\$1,556,000	\$892,000	\$40,000

Individual State Agency Fiscal Note

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

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- 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

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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.