

**ALASKA STATE LEGISLATURE**  
**HOUSE SPECIAL COMMITTEE ON EDUCATION**

April 22, 2003  
11:04 a.m.

**MEMBERS PRESENT**

Representative Carl Gatto, Chair  
Representative Paul Seaton, Vice Chair  
Representative Dan Ogg  
Representative Peggy Wilson  
Representative Kelly Wolf  
Representative Les Gara  
Representative Mary Kapsner

**MEMBERS ABSENT**

All members present

**COMMITTEE CALENDAR**

HOUSE BILL NO. 259

"An Act relating to public school transportation, and to the minimum wages for school bus drivers; and providing for an effective date."

- MOVED CSHB 259(EDU) OUT OF COMMITTEE

HOUSE BILL NO. 233

"An Act relating to the base student allocation used in the formula for state funding of public education; and providing for an effective date."

- MOVED CSHB 233(EDU) OUT OF COMMITTEE

**PREVIOUS ACTION**

BILL: HB 259

SHORT TITLE:PUPIL TRANSPORTATION FUNDING/DRIVER WAGES

SPONSOR(S): REPRESENTATIVE(S)GATTO

Jrn-Date	Jrn-Page		Action
04/11/03	0934	(H)	READ THE FIRST TIME - REFERRALS
04/11/03	0934	(H)	EDU, L&C, FIN
04/16/03		(H)	EDU AT 7:00 AM CAPITOL 124
04/16/03		(H)	Heard & Held

			MINUTE(EDU)
04/16/03	(H)		L&C AT 3:15 PM CAPITOL 17
04/16/03	(H)		<Bill Hearing Postponed>
04/22/03	(H)		EDU AT 11:00 AM CAPITOL 124

BILL: HB 233

SHORT TITLE: INCREASE EDUCATION FUNDING

SPONSOR(S): REPRESENTATIVE(S) WILSON

Jrn-Date	Jrn-Page		Action
04/02/03	0738	(H)	READ THE FIRST TIME - REFERRALS
04/02/03	0738	(H)	EDU, HES, FIN
04/16/03		(H)	EDU AT 7:00 AM CAPITOL 124
04/16/03		(H)	<Subcommittee assigned> MINUTE(EDU)
04/17/03		(H)	EDU AT 1:00 PM CAPITOL 106 -- Meeting Canceled --
04/22/03		(H)	EDU AT 11:00 AM CAPITOL 124

**WITNESS REGISTER**

EDDY JEANS, Manager  
 School Finance and Facilities Section  
 Education Support Services  
 Department of Education and Early Development  
 Juneau, Alaska

POSITION STATEMENT: Testified on HB 259 and responded to questions from the committee.

**ACTION NARRATIVE**

**TAPE 03-19, SIDE A**

Number 0001

**CHAIR CARL GATTO** called the House Special Committee on Education meeting to order at 11:04 a.m. Representatives Gatto, Seaton, Wilson, Ogg, and Wolf were present at the call to order. Representatives Gara and Kapsner arrived as the meeting was in progress.

HB 259 - PUPIL TRANSPORTATION FUNDING/DRIVER WAGES

Number 0056

CHAIR GATTO announced that the first order of business would be HOUSE BILL NO. 259, "An Act relating to public school

transportation, and to the minimum wages for school bus drivers; and providing for an effective date."

CHAIR GATTO announced that since he is the sponsor of HB 259, he would be turning the gavel over to Vice Chair Seaton.

Number 0108

VICE CHAIR SEATON announced that the committee had before them the proposed committee substitute (CS) for HB 259, which was labeled CSHB 259(EDU), 23-LS0767\V. [Although there was no formal motion, the committee treated Version V as the working document.]

CHAIR GATTO, speaking as the sponsor, told the committee that the tradition and funding of student transportation has caused the administration and the legislature to be at odds with school districts. The reason for this difficulty pertains to accountability. He explained the process of providing student transportation. The school districts advertise contracts for pupil transportation, and then whoever is the low bidder submits the bill to the state for payment. And, he remarked, although the state has asked the districts to find some economies in student transportation, what would be a district's motivation in seeking out a lower bid when the end result is that those funds would default back to the state? He commented that under the current method, there is no benefit to the districts [in finding efficiencies].

CHAIR GATTO told the committee that the governor is supportive of this bill, and that while not all school districts have been contacted, they are all aware of it. Some of the larger districts that he has had a chance to talk to are "okay" with the bill. He explained that the bill says that if a district can find an economy in the busing program, any savings will be the district's to keep. Chair Gatto said it is his hope that the funds would go back into the classroom. That is the essence of the bill, he summarized. He explained that it is accomplished in the simplest way, by determining how much money is needed to run a busing program on a per student basis in each district. That figure is taken from the FY 03 data and frozen in place. Then the next time the district puts out a contract, if it is for less money, [the district keeps the difference].

CHAIR GATTO said he hopes the districts can find some economies by combining routes. There have been complaints from people in the community that they see school buses going up and down the

road and they are only three to five minutes apart. Some said they believed it was a waste of money. The districts would say that what they like to do is keep the elementary kids separated from the middle school kids, and the middle school kids separated from the high school kids. In order to do that it is necessary to run multiple buses on the same route. If the districts combine routes, there can be significant pupil transportation savings. Many districts are willing to combine busloads to save money, he predicted, as long as any savings would then be the district's to keep and hopefully put back in the classroom.

CHAIR GATTO pointed out that some districts that are losing students will get less money to run their bus service, while those gaining students would get additional money. He said most districts are pretty flat. Southeast is losing, and the Matanuska-Susitna ("Mat-Su") districts and Anchorage are gaining, so there will be disparity in each district with regard to how much they will get because it depends on enrollment numbers.

Number 0578

REPRESENTATIVE WILSON said she believes this bill is directed at districts that have been spendthrifts; however, she added, there needs to be some thought for the communities that are not. She used Petersburg as an example and explained that the reason that district's cost is only \$229 per student, which is very low compared to Matanuska-Susitna Borough School District (MSBSD) which is \$776, is because Petersburg is at the end of a ten-year cycle on its buses. The next time the Petersburg School District puts out a contract, the contractor will have to get new buses, so the costs will jump considerably. If this bill is in place, there will be no way for Petersburg to meet these costs. Representative Wilson asked how this bill could be fixed to address this kind of problem.

CHAIR GATTO responded that Representative Wilson is correct that MSBSD's costs are high, but surmised that that is due largely to the fact that that borough is the size of West Virginia. The MSBSD has to bus kids fairly long distances. A lot of the busing funds are determined by the Individuals with Disabilities Education Act (IDEA), he said. These are federal mandates which require that students who qualify are bused no matter how far away from the school they live. He pointed out that Petersburg is a smaller community with very few buses.

CHAIR GATTO went on to say that every community's buses will wear out. The idea is to get a contract, own a bus, or run services in a different way in the hopes that the school districts can keep the savings for classrooms. Some districts actually pay the parents 32 cents per mile to take their kids to school. That is a great deal for any district. He said that while he is not advocating that practice, it is done. The parents like it and the districts like it. Chair Gatto told the committee that it is not the solution he is proposing for Petersburg, rather that there are different ways that districts are handling student transportation. This bill simply says that districts that have more kids get more money. Since these funds stand outside the funding formula, they are subject to appropriations each year, he explained. As expenses for contracts, buses, insurance, fuel, and other items go up, the legislature can then take this fixed amount of money and increase it by a percentage for each district. Chair Gatto said that he agreed with Representative Wilson in that some districts will suffer. He told members that the governor would like to take this out of the hands of each individual community because they do not support increases in student transportation funding. In summary, he said that if the state continues to handle student transportation the same way, the districts will suffer. He acknowledged that there will need to be some adjustments; however, if the transportation issue is handled in this way, he said he believes that the districts will be better off because the funding is fixed.

Number 0924

VICE CHAIR SEATON recognized for the record that Representatives Gara and Kapsner had arrived.

REPRESENTATIVE WILSON surmised from Chair Gatto's comments that he knows this bill is not fair to the smaller communities like Petersburg and does not care.

CHAIR GATTO replied that he believes the bill is fair and that he does care. He says he believes it is fair because it provides a specific amount for each student based on the past costs from each district. It would be terribly unfair if the legislature made the amount for student transportation the same for every student in every district in the state. He said that he believes that every district has had to make adjustments. The state did not just allow districts any amount of money they wanted to submit for reimbursement. The contracts had to be justified with multiple bids if multiple bids were available.

That is the fairness of it, he remarked. Chair Gatto emphasized that he cares about how much money is funded for education because he knows that whatever is not provided for student transportation will probably come out of the classroom. He said he is trying to make it possible for districts to keep as much money as is possible.

REPRESENTATIVE WILSON said she believes this legislation is unfair because it penalizes the communities that are already working very hard to economize. These communities will be faced with a great hardship because, as the contracts come up for negotiations, there will be no way for communities to address the [shortfall in funding]. She summarized her comments by saying that she does appreciate all the work Chair Gatto has put into this legislation; however, she opined, it will be a real hardship for many small communities.

VICE CHAIR SEATON commented that even though there is a vast disparity in the pupil transportation cost per student, he said he believes much of that expense depends on what percentage of the student population must be bused. For example, in a [community] where 50 percent of the students walked to school, then, when dividing the cost of busing by the total student population, the costs will come out quite low, whereas if [a community] has a very dispersed population, the cost of busing will be quite high.

Number 1151

REPRESENTATIVE KAPSNER asked if this Version V addresses the concerns and costs associated with providing transportation for IEP (individual education program) students and those with special needs.

CHAIR GATTO responded that it is addressed through the FY 03 numbers because IEP students were included in that figure. He commented that for many districts, that cost is quite high because of the long distances students must be transported.

REPRESENTATIVE KAPSNER expressed concern that the bill does not allow for any growth of student population, especially the special education population.

CHAIR GATTO replied that the bill does allow for growth in student population because the higher the population, the more money a district will get. He told members that if the special education population percentage remains the same, then this bill

would be entirely fair; however, he added, there is no way to predict [what future special education student populations] will be. Chair Gatto summarized by saying that if a district had few special education students, the district would do better with pupil transportation costs; however, if that population grows, then the district would not do as well.

REPRESENTATIVE KAPSNER commented that if school districts could not provide adequate public transportation to get students to school, then that could interfere with the 95 percent attendance requirement in the No Child Left Behind Act (NCLB).

CHAIR GATTO commented that there was an adjustment in the NCLB on the percentage of attendance. He said it does place a requirement on the district to get the children to school. The whole idea behind NCLB is to get children to do better in school. This is a federal decision, not a district decision and he hopes NCLB will lead to better-educated students.

CHAIR GATTO said he hopes that this legislation will help to make education better for the state because it gives districts the opportunity to [get funds] that they would not otherwise have.

Number 1557

REPRESENTATIVE GARA asked for clarification regarding what version of the bill was being discussed.

VICE CHAIR SEATON replied that the version being discussed was Version V.

REPRESENTATIVE GARA told the members that he understands that Chair Gatto tried to come up with a proposal that is better than what is being proposed by the administration. He commented that this is a better proposal than the administration's since that is a flat 20 percent cut to student transportation; however, he said he is interested in pursuing a working group's efforts to come up with efficiencies that would avoid requiring districts to cover an additional expense which would otherwise have to be taken from classrooms. Representative Gara offered to participate in a working group should the committee choose to pursue that avenue.

REPRESENTATIVE GARA expressed concern with the portions of HB 259 that set limits on the amount of money that may be allotted to school districts. An example he cited is the limit of \$1,200

per student which can be paid to a district; there are currently four districts that spend more than that right now. He emphasized the importance of hearing from those districts.

REPRESENTATIVE GARA pointed out another concern with respect to district's contracts which have been negotiated. In the case of a district where the number of pupils declines, the district will be compensated at less than their costs of student transportation. He questioned whether the appropriation under this bill will keep up with inflation or increased costs. He asked if the committee would be willing to rework the bill to address those problems.

Number 1759

CHAIR GATTO responded that that is the same issue with any school if the number of students declines, whether it is teacher retention [or pupil transportation]. He told members that it is up to the districts to anticipate enrollment to the best of their ability. He said he believes it is unreasonable for the state to make these kinds of projections since it's the districts that really know their own situations much better.

CHAIR GATTO agreed that inflation will occur and told the members that that is the reason the bill allows for revisiting the amount allocated per student for each district. He told members that the governor agrees with this bill; however, he is very concerned that if the bill does not pass, the consequences will be very heavy and will mean a 20 percent reduction in funding student transportation. He said that he believes this is the best compromise possible. He summarized his comments by saying he believes \$1,200 per student for 180 days is very generous funding.

REPRESENTATIVE GARA asked if the four districts that incur more than \$1,200 per student have indicated their ability to reduce their costs. He asked if the reason for high costs has been explored.

CHAIR GATTO responded that he does not know the reason [for such high costs in student transportation]. He commented that the Delta/Greely School District is on the road system, adding that he believes there are probably some efficiencies that could be made. He offered that it may be that the Delta/Greely School District's geography is more spread out than the Matanuska-Susitna Borough School District, which is providing pupil

transportation at a cost of [\$767] per student. He commented that there needs to be a cap.

VICE CHAIR SEATON asked whether the Department of Education and Early Development has had any discussions with the school districts on the \$1,200 cap in pupil transportation.

Number 1932

EDDY JEANS, Manager, School Finance and Facilities Section, Education Support Services, Department of Education and Early Development, replied that there has been no discussion on this issue. He offered to initiate input from the districts and report back to the committee.

VICE CHAIR SEATON asked which school districts presently have the highest transportation costs.

MR. JEANS replied that the Delta/Greely School District is the highest in cost - at \$1,400 per student; another district is paying \$1,300; and two other districts are just over \$1,200.

CHAIR GATTO interjected that the Delta/Greely School District is in an area with a growing population. He said that as the district's ADM [average daily membership] goes up, there will be an increase in the amount of funds allocated to the district. He said he believes that the Delta/Greely School District will think this is a good idea.

REPRESENTATIVE KAPSNER asked Mr. Jeans whether students are flown to school. She said she believes that students from Naknek must be flown over to South Naknek, and students from Oscarville must be flown to Napaskiak during the river freeze-up or break-up. She asked if these students would be affected by the [\$1,200 cap].

MR. JEANS responded that he is only aware of the students in Naknek having their transportation provided. The department pays for students to be flown from Naknek to South Naknek on a daily basis. He commented that the school district [in Napaskiak] may have a plane and may provide transportation on a temporary basis for the students [who live in Oscarville].

REPRESENTATIVE KAPSNER asked how this bill will affect the transportation funding for these students.

MR. JEANS responded that that is a choice the two communities must make. Currently, students are educated in Naknek through grade 5. Once the students are in sixth grade they are flown to South Naknek. He reiterated that this is a choice that the Bristol Bay School District and school board must make. The Bristol Bay School District has projected that their transportation costs for FY 04 will be \$321,000. If transportation were funded at the governor's recommended amount, Bristol Bay School District would be funded at \$237,000; however, under [HB 259] the district would be funded at \$283,000 - which is still \$40,000 less than what is being projected for FY 04.

CHAIR GATTO noted that the governor's proposed appropriation would be \$90,000 less than what the district has projected.

MR. JEANS concurred.

Number 2108

CHAIR GATTO asked what districts have planes.

MR. JEANS replied that it is his understanding that the Bering Strait School District has a plane, but the state does not provide reimbursement it.

CHAIR GATTO asked if the department provides reimbursement for any planes.

MR. JEANS said the department does so for the Bristol Bay Borough School District.

CHAIR GATTO asked what the cost of that is per student.

MR. JEANS responded that the cost is \$321,000 which includes a plane contract and a small bus route. The majority of those funds are spent on the plane contract.

REPRESENTATIVE GARA surmised that the premise of both this bill and the governor's bill is that school districts are wasting money in the area of pupil transportation. He asked Mr. Jeans whether there is any specific information that would confirm that this premise is accurate.

MR. JEANS responded that pupil transportation costs have increased 136 percent in the last ten years. It has gone from under \$25 million up to the projected \$58 million. He told the

committee that part of this increase is due to the system that is currently in place, which is a reimbursable system. Even though districts put RFPs [request for proposals] on the street, the contractors and the school districts know that under the current system that cost is passed on to the state. Mr. Jeans said that the department believes there are efficiencies that can be achieved, but it will be up to the individual school districts to determine how they will get there. He explained that he has been told by school districts that under the current reimbursable system, if efficiencies are made, those funds are rolled back to the state or passed on to other school districts.

Number 2309

MR. JEANS said that under the governor's proposal, the Anchorage School District will receive a 20 percent reduction, which is actually a 26 percent reduction because that figure does not take into account the increases in projections for FY 04. He projected that the Anchorage School District will be required to find \$4.9 million from local sources to cover their transportation program.

MR. JEANS told members that if the Anchorage School District wants to reduce the local contribution, then the district would have to reduce its services. If the reduction was \$1 million, the reduction in local share would be \$500,000. He explained that under the current system of reimbursement, when districts save \$1, only \$.50 comes back to the district, and the other \$.50 goes to other districts. Mr. Jeans summarized that that is one of the issues districts have raised about the current system. Districts say it would be beneficial if there were some way it could keep some of the money it has identified. Mr. Jeans told members that Chair Gatto's bill would allow this to occur. He acknowledged that this is not the funding level that districts want, but it does allow districts that find efficiencies to keep those funds at the local level - the funds would not go back to the state to get distributed statewide.

REPRESENTATIVE GARA asked for clarification regarding the Anchorage School District.

MR. JEANS explained that when he used the Anchorage School District's reimbursement as an example, he was using it in the context of the governor's budget. So with the governor's bill, 26 percent of the student transportation would have to be funded at the local level. The earlier reference to a 20 percent reduction does not take into account the FY 04 increases, he

reiterated. What the governor's budget does is reimburse districts at 74 percent of their costs. Mr. Jeans went on to explain that if the Anchorage School District wants to reduce their share, for every dollar that the district reduces it, \$.50 of that goes back to the state and is distributed statewide. As a result, other school districts will be reimbursed at 75.5 percent instead of 74 percent, for example. So their rate of reimbursement goes up because the Anchorage School District saved some money. Mr. Jeans explained that the opposite is true too. There will be some school districts that will ask for additional routes. For every new route that is approved by the department, there will be a proration for every other school district in the state. He commented that this will be awkward because if there was no request for the new route in the FY 04 budget, the request will not even be considered.

Number 2490

REPRESENTATIVE KAPSNER discussed the many reasons the Anchorage School District cited as reasons for increased costs in pupil transportation; for example, commercial drivers license permit fees, background checks, school bus driver physicals, fingerprinting, commercial drivers licenses, DMV (Division of Motor Vehicles) fingerprinting processing, fees for class "S" endorsements, child safety restraints, automatic chains, added emergency exits, strobe lights, and video cameras. She asked Mr. Jeans how much of an increase would be justified to meet all these requirements.

MR. JEANS responded that he cannot answer the question. He pointed out that most of the requirements have been in place for a very long time, and that there are questions on some of these items. For instance, the ratio of video cameras on buses has not been determined. Should the state pay for a video camera on every bus or 1 in 10 buses. Can the state afford that, he questioned. He offered the question of whether there should be automatic chains on all buses - is it necessary in a community that has basically all flat ground, or just those that go up on the hillside.

REPRESENTATIVE WILSON commented that about half the schools will get increases and half will get decreases. She pointed out that districts will lose funds as they lose students, but because the routes will continue to operate, the cost in transportation will be the same. She said that the school districts who lose funding will have to take the money from the classroom, and noted these are the schools that have already made drastic cuts.

She told the members that if the Anchorage School District were to lose the same percentage of teachers as some of the schools in her district, Anchorage would actually lose as many as 971 teachers this year. She said she is very concerned about the disparity between districts.

CHAIR GATTO commented that in his discussions with transportation directors, he found that districts determine how far the bus will travel to pickup students. If a student lives beyond that point, it is the parent's responsibility to transport their child to school. He added that he was told by directors that there is a 20 percent economy that could be made in transportation costs, but it is not something districts want to do. These savings could be made by eliminating multiple trips on the same bus route, he said. The problem for the school district is that all the schools would start at the same time and that is not something the community wants. He pointed out that under this bill, the money saved in pupil transportation can be put into classrooms. The alternative is even less money, he predicted, adding that that will be devastating.

Number 2875

REPRESENTATIVE KAPSNER asked why Chair Gatto keeps referring to the alternative, since the governor cannot unilaterally decree that student transportation will get less money.

CHAIR GATTO offered his understanding that the governor can do so.

VICE CHAIR SEATON added that the governor not only has line item veto power, but also has line item reduction authority. The governor can reduce student transportation funding by 20 percent, he said. Vice Chair Seaton told members that he spoke with the Kenai Peninsula Borough School District this morning and they shared many of the concerns that Representative Wilson mentioned with respect to declining student population. Transportation funding is being done by routes, so if, for example, the student population drops by 5 percent, the routes will remain the same. Vice Chair Seaton commented that a 20 percent reduction in student transportation is much more problematic for the Kenai Peninsula Borough School District than the use of ADM in determining funding. He pointed out that there is a fairness issue with respect to the cost savings mentioned. In his district, cost saving efforts in the form of transporting all the pupils on one bus have already been made,

so districts who have not made those changes will now be able to do that and put the money saved back in their own [budgets]. That is a fairness issue, he remarked, adding that he does not see an option.

**TAPE 03-19, SIDE B**

Number 2949

VICE CHAIR SEATON told the members that he supports moving HB 259 from committee. He said he will be talking with individuals in his district and hopes that districts will come forward with their opinions on this bill.

REPRESENTATIVE OGG commented that his district will say that they have done economies [to reduce transportation costs]. He said he hopes there will be a section in the bill that delineates how a district would apply for an increase in funding. Noting that although Chair Gatto mentioned that there could be an across the board increase, discussions on the bill lead him to believe that each district will be faced with its own particular circumstances. Representative Ogg asked how an increase in students is addressed.

CHAIR GATTO explained that when the ADM comes in, the district receives a specific amount of money per student based on the district's formula. Thus HB 259 would address the rise and fall of student population: each year the dollar amount per ADM per district could go up 1 or 2 percent for each student.

REPRESENTATIVE OGG asked whether Chair Gatto envisions adjustments being done to each individual district or to the entire state system as a whole.

MR. JEANS replied that the way the bill is currently written, all districts would be increased by a percentage. He added that he does not know how it would be possible to adjust an individual district.

VICE CHAIR SEATON posed a situation in which a district has 3 percent special needs students, and then, through changes of student population, that special needs population increases to 5 percent. As the bill is currently written there would be no way for the district to ask for an adjustment.

MR. JEANS concurred that he does not see a mechanism available in this bill, since it refers to the amount districts were reimbursed in FY 03 divided by their student population. An

individual school district could not be adjusted without putting those numbers into the statute.

REPRESENTATIVE OGG pointed out that a change can take place within a district and there would be no way in this bill to take that into account. He suggested that a section be added to HB 259 that would address adjustments for individual school districts.

CHAIR GATTO responded that to some extent, this bill is self-correcting. If a district has an administrator, bus barn, and mechanics, even if there is a need for an additional bus, it is not necessary to add an administrator, bus barn, and mechanics; only another bus. Conceivably, the district could be better off because the cost is shared. He pointed out that there could be the opposite situation where there currently is a need for a bus and that need ceases to exist.

REPRESENTATIVE OGG indicated that although he wants the [bill] to move forward, he would like to see language that would say adjustments can be made through presentations by individual districts.

Number 2652

VICE CHAIR SEATON asked Mr. Jeans if he sees any problem in adding that kind of provision to the bill. He added that he understands that the legislature could put something in statute that would address individual districts, but asked if there is some mechanism that could be added to the present bill to avoid an onerous process.

MR. JEANS replied that the only way he believes that issue could be addressed is if the legislature were to insert in statute the actual student amounts allocated for each district. Then those districts that felt there was a need for an adjustment could come to the legislature and lobby for that adjustment. He predicted that if the bill puts this issue back on the department, then the districts will be right back in a reimbursable system. He explained that when a district exceeds the grant amount for their transportation program, it will be asking the department for more money, whereas if the districts have found some efficiencies, then the department will not hear from them.

The committee took an at-ease from 11:55 a.m. to 12:05 p.m.

REPRESENTATIVE GARA surmised that the intent of the bill is to allow school districts to find efficiencies in pupil transportation costs that the district would then be allowed to keep and put in the classroom. However, this presumes that there are some schools out there that have not achieved efficiencies yet. He told members that he believes that there are school districts out there that have achieved all the efficiencies they will be able to attain. This bill rewards those school districts that have been inefficient by giving them money for their classrooms. If a district is efficient, they get nothing, he stated.

CHAIR GATTO replied that he does not believe that there are any school districts that are perfectly efficient. There is a spectrum between the most and least efficient, he commented. The way this process has worked in the past is that whenever a bid is put out to the bus companies, the lower bid was then forwarded to the department, which has had no choice but to pay it because transportation costs are 100 percent reimbursable. Chair Gatto pointed out that there has not been any motivation for the district to look for even lower bids. This bill is intended to provide some incentive to school districts to find efficiencies that can then be put back into the classroom.

Number 2398

REPRESENTATIVE GARA said that he objects to moving ahead with HB 259 because there are no facts to base this approach upon. He added that he appreciates Chair Gatto's attempt [at finding funds for education].

REPRESENTATIVE KAPSNER said that she concurs with Representative Gara's comments that this bill is based on the presumption that all school districts are inefficient. She asked Chair Gatto whether, as a school board member, he believes his school district was inefficient in providing pupil transportation.

CHAIR GATTO responded that he did not have the opportunity to investigate how his school district ran student transportation. He added that he had to put his trust in the transportation director. However, in his discussions with that director, he was told that there were ways to make efficiencies, but the community would not agree on them. The parents [of younger children] did not want their children mixed in with the older kids because of behavioral issues. One solution that was considered was installation of cameras; but that leads to extra money. He pointed out that whatever the district did about

addressing efficiencies, it did not lead to money back in the district's budget, so without the motivation, these efficiencies are not likely to happen.

VICE CHAIR SEATON noted that he is not accusing anyone of building in inefficiencies, rather that there has been a ranking of priorities. If busing is being reimbursed and the priority is different starting times [for classes], then saving money on the bus route is not the priority because it is more convenient for the schools to start at different times. The motivation is simply different, he commented. He said his district has looked at efficiencies by having all the kids ride the same bus. This bill would move the cost of transportation to a priority concern for districts.

CHAIR GATTO told members that this should be a school district decision based on what is reasonable versus what is economical.

REPRESENTATIVE KAPSNER said that since Alaska has one of the lowest gas taxes in the nation, she assumes [the tax bill] will be passed. She asked whether this be another hit to school districts. She commented that a lot of school districts and contractors will want to renegotiate their contracts so that school districts pay for the added cost of gas.

Number 2072

CHAIR GATTO replied that the outcome of the gas tax [bill] is unknown and it would be hard to adjust for that now.

MR. JEANS stated that it is his understanding that the proposed gas tax does not affect school districts. The school districts that are running their own fleet are exempt; however, the contractors are not exempt. He commented that the districts may want to reopen their contracts and provide the fuel for its contractors.

VICE CHAIR SEATON pointed out that school districts could purchase fuel through a statewide contract, at a lower price, and supply the fuel to contractors.

REPRESENTATIVE KAPSNER said she'd heard that some school districts were looking at reopening five-year contracts if a gas tax were to increase [the cost of fuel]. She asked Mr. Jeans to comment.

MR. JEANS confirmed that his office has already been contacted by school districts about the possibility of reopening [contracts].

REPRESENTATIVE GARA asked why the state has not taken over pupil transportation negotiations for school districts that are not doing a good job on their own. New contracting staff expenses could be prorated and the cost could be shared by the districts, he said.

Number 1882

VICE CHAIR SEATON asked if Representative Gara is offering an amendment.

REPRESENTATIVE GARA responded that before the bill is moved out of committee, he wants to determine whether there are better approaches to address this problem. He summarized his comments by saying he does not believe it is a good idea to send a bill from committee when other alternatives have not been fully explored.

Number 1818

REPRESENTATIVE OGG moved to adopt Amendment 1, which read [original punctuation provided]:

line 15

new section 2. Adjustments to the amount of money set per pupil in this Act shall be done on an individual district basis.

line 16 change sect 3 to sect 4.

REPRESENTATIVE OGG explained that the purpose of Amendment 1 is to address the issue of districts inefficiencies; it would allow those districts that need more funds to bring their case forward. He said he is concerned about the ambiguity in the way adjustments would be made. He commented that he does not believe it is fair to set the rate of reimbursement in stone based on what the districts are doing right now [FY 03]. Adjustments should be allowed in the future based on individual districts and their changing needs.

Number 1674

REPRESENTATIVE WILSON objected for the purposes of discussion. She expressed concern for the extensive work that would be required of the department to implement Amendment 1; however, the legislation as written is unfair [to districts]. The districts need flexibility in making adjustments. She pointed out that for many districts, even if the ADM drops, the same services will have to be provided.

VICE CHAIR SEATON asked Mr. Jeans whether the legislature would really need to adopt the spreadsheet [on pupil transportation] into statutes as the baseline, which could then be changed.

MR. JEANS replied that that is correct.

CHAIR GATTO responded that he objects to Amendment 1 because every district would have some justification for adjustments. The legislature would be dealing with every district, he asserted.

VICE CHAIR SEATON said that the Mr. Jeans had a good point when he said that the only districts that would be coming forward are those that need an increase, and those that saved the money would be keeping it and using it. He commented that he believes [Amendment 1] would be an incentive and escalation package for districts and very hard to administer. He added that he will not be supporting Amendment 1.

REPRESENTATIVE WILSON commented that she does not believe it would be necessary to put the spreadsheet in statute. She pointed out that the Department of Fish and Game administers many programs through regulation.

REPRESENTATIVE GARA surmised that the intent of Amendment 1 is to take into account real cost increases, but does not state so specifically. He asked Representative Ogg if he is correct in his understanding of Amendment 1.

REPRESENTATIVE OGG commented that he did not want to use language like "real cost increases" because adjustments could be up or down. He added that he would not want to predict the future.

REPRESENTATIVE GARA pointed out that Amendment 1 does not say what the adjustments are for. The adjustments should be based on real cost increases or decreases because, without that language, the legislature would not be giving the department the guidance it needs to administer the program.

REPRESENTATIVE GARA, in response to Representative Ogg's request for suggestions, said that the language in Amendment 1 should include language that says, "adjustments based on cost."

VICE CHAIR SEATON pointed out that [Amendment 1] would mean that the department would have to analyze, on an on-going basis, any savings made by a district and then come back and adjust those savings. This would remove any reason for the bill to go forward because the intent of the bill is to allow efficiencies and incentives. He said that this amendment completely changes the purpose of the bill and eliminates the incentives.

Number 1120

REPRESENTATIVE WILSON commented that this bill is not an incentive bill; it simply changes the law. Those districts that gain funds will not change anything, and those districts that have already made those efficiencies and lose money will have to take funds from the classrooms, she said.

VICE CHAIR SEATON replied that the incentive is that the districts get to keep the money instead of sending it back to the state. However, [Amendment 1] says that the department will take any money districts are able to save and give it back to the state.

Number 0955

REPRESENTATIVE WILSON moved to amend to Amendment 1 by deleting the period after "basis" and adding ", based on real cost increases or decreases." There being no objection, the amendment to Amendment 1 was adopted.

The committee took an at-ease from 12:30 p.m. to 12:35 p.m.

CHAIR GATTO told the members that he is not satisfied with the way Amendment 1 [as amended] reads and asked the members to vote no on it.

VICE CHAIR SEATON pointed out that Amendment 1 [as amended] will leave districts where they are now, whereby the department will make increases and decreases based on real costs in pupil transportation.

REPRESENTATIVE OGG told members that if Amendment 1 [as amended] is not adopted, the payment of pupil transportation will be set in stone.

VICE CHAIR SEATON disagreed with Representative Ogg's point, and said he believes that the bill as currently written allows for school districts to come back for increases in transportation funding each year. He pointed out that a bill can be introduced at any time to change the base amount paid. For instance, there could be a request for a 2 percent across the board increase. A separate bill could also be introduced to address a district's increase or decrease based on specific circumstances. He said he believes Amendment 1 [as amended] will introduce a system whereby continuous adjustments will be made by the department.

CHAIR GATTO pointed out that the foundation formula comes before the legislature every year with no built-in increases. This funding could come before the legislature in the same way each year.

REPRESENTATIVE GARA stated that the difference between this bill and the foundation formula is that when changing the foundation formula, only one number needs to be changed; however, under this bill there will need to be 40 to 50 adjustments to reflect districts' real costs and to compensate for inflation.

CHAIR GATTO responded that many of these changes could be addressed in an across the board increase. He said he agreed that if every district came back to the legislature with a request it would be a quagmire. He suggested as an option offering the same percentage increase as the foundation formula.

Number 0383

REPRESENTATIVE OGG commented that under the bill as currently written, it is not clear what will happen. An across the board increase for large school districts might be fine, but small school districts would have to convince a lot of people that an increase is warranted.

VICE CHAIR SEATON pointed out that there has been discussion about increases based on percentages; however, there could be a change based on the number of pupils, similar to how LOGs [Learning Opportunity Grants] are administered.

Number 0250

A roll call vote was taken. Representatives Wolf, Gara, Kapsner, Ogg, and Wilson voted in favor of Amendment 1, as amended. Representatives Seaton and Gatto voted against it. Therefore, Amendment 1, as amended, was adopted by a vote of 5-2.

Number 0082

REPRESENTATIVE GARA moved Amendment 2.

**TAPE 03-20, SIDE A**

Number 0001

VICE CHAIR SEATON read Amendment 2 [original punctuation provided]:

At  
P. 2, line 16, insert a  
new Sec. 3:

In the case where a district's ADM decreases from a prior year, the prior year's ADM shall be utilized in determining the amount under AS 14.09.010 unless the Department makes the following finding: That pupil transportation costs have decreased by an amount proportionate to the decrease in ADM.

Number 0063

CHAIR GATTO objected to Amendment 2.

REPRESENTATIVE GARA explained that the committee has heard testimony that some school districts have two-, three-, four-, and five-year school bus transportation contracts. A circumstance could occur under this bill, unless it is amended, where, in 2003, a school district has an ADM of 500; however, in 2004, the ADM goes down by 30 students, but the school district's costs do not go down. Amendment 2 would say that unless the school district's actual costs go down in a proportionate amount to the ADM, the amount reimbursed to the school districts will not go down. Before the pupil transportation funding is decreased, the department must make sure that the lower ADM has resulted in lower costs to the school district.

VICE CHAIR SEATON posed a situation wherein there were three years of successive decreases. Is it the intent of Amendment 2 to go back to the original point at which the district's

attendance started to fall or would Amendment 2 take effect after the second year of a decline in ADM.

REPRESENTATIVE GARA replied that he would want it done in a way that says pupil transportation reimbursement only goes down if costs go down, commensurate with ADM. He commented that he is unsure how to address the question Vice Chair Seaton raised.

VICE CHAIR SEATON said he is just looking for clarification on what Amendment 2 would entail.

REPRESENTATIVE GARA responded that the intent of Amendment 2 is that the amount the department will reimburse school districts will not go down until they achieve costs savings commensurate with the reduction in ADM.

REPRESENTATIVE WILSON told the committee that every school that is decreasing in ADM is going to show a decrease in funding in costs to the schools because that is all they have. For example, if a district has dropped 30 students, the district will get that much less in funds, and it does not have any more money to spend so it will look like their costs have decreased, she said.

REPRESENTATIVE GARA said he thinks he may agree with the point Representative Wilson is making, but needs clarification.

REPRESENTATIVE WILSON used the example of a school district that has 500 students and receives a set amount of money per student. If the district loses 30 students, it will get less funding because of that loss [in ADM].

Number 0413

VICE CHAIR SEATON pointed out HB 259 is only talking about pupil transportation costs and not about foundation funding.

REPRESENTATIVE WILSON responded that for the schools that are dropping in ADM, there will not be more money to spend except what they get in funding.

VICE CHAIR SEATON restated his previous comments. For example, he said, if a district has [existing] bus routes, and then loses students, the bus routes are still maintained, therefore the district has not decreased transportation costs. What Amendment 2 says is that the district would not lose any money for pupil transportation. Of course, the foundation formula will go down

as the ADM goes down, but HB 259 simply addresses pupil transportation [funding] and not the foundation formula or compensation to the districts for the number of students.

REPRESENTATIVE WILSON asked how the districts would prove that their costs did not go down. She said if this goes into effect, all the districts that [have an increase in students] are going to get more funds, and all the districts that are losing students will get less.

CHAIR GATTO responded to Representative Wilson's comments that if a district loses 30 students, the district will tell the state that the cost for pupil transportation has not decreased. Who has the burden of proof? Will the department go to each district, review their budget and bus routes, or will the department accept whatever is provided to them. He said the point of HB 259 is to allow the districts a free enterprise system in which to provide [transportation] the best way it can with what it has. What Amendment 2 does is slowly and incrementally wind the districts and state back to where they are now, he stated. Chair Gatto warned that Amendment 2 will result in the districts receiving a 20 percent cut in transportation costs, whereas it is his hope that transportation funding will stay level. He reiterated that intent of HB 259 is to ensure that school districts do not take a reduction. Every time an amendment is added that complicates the bill, it is a threat to the legislature's ability to avoid a reduction, he opined.

Number 0632

REPRESENTATIVE GARA summarized that if the committee does not adopt Amendment 2, the state will start taking money away from the school districts whose costs are not going down. He said he cannot support a bill that is based on a false premise, that being that costs go down when ADM goes down. Representative Gara told members that Amendment 2 is an attempt to avoid a penalty to those school districts whose costs do not go down when their ADM goes down. He referred to Chair Gatto's question about whose burden it is to prove that costs have gone down before funds are taken away from school districts. That would be the state's burden, he opined, since this is the state's proposal. If the state wants to take money away from school districts, it should have to prove its case that costs have gone down.

REPRESENTATIVE WILSON said that all school districts have contracts with transportation companies that are based on the service that is provided, not on ADM. If school districts get less funding for student transportation, then they will have to make up those funds because they are under contract with the transportation company. No one is going to be able to prove that districts' costs have dropped because, as long as they are under contract, there will not be a decrease in costs.

REPRESENTATIVE GARA commented that the purpose of Amendment 2 is to address the reality that Representative Wilson just pointed out. If the districts' costs do not go down, then the department does not take funds away from them. Without Amendment 2, if a district has a long-term student transportation contract and the costs do not go down, the state will be taking money away from that school district. Amendment 2 in essence says: do not take money away from school districts that have long term busing contract unless the state can show a reduction in costs commensurate with ADM.

CHAIR GATTO responded that that practice is done with the foundation formula. If a district's student enrollment goes down, the state does not tell them to close the school or fire teachers. Every district's costs stay up, even if there is a loss in students.

CHAIR GATTO said this bill makes it incumbent on the district to determine how it handles student transportation based on how much per student it receive. If a district loses students, it loses in the [foundation] formula and in student transportation funding. He commented that it is important to establish some criteria that lets the state evaluate the costs that make sense to the state as well as to the districts. With Amendment 2, no one will lose any money because every district will show that even though there are fewer students, the costs did not go down.

Number 0965

A roll call vote was taken. Representatives Gara and Kapsner voted in favor of Amendment 2. Representatives Seaton, Gatto, Ogg, Wilson, and Wolf voted against it. Therefore, Amendment 2 failed to pass by a vote of 2-5.

Number 0988

REPRESENTATIVE GARA moved to adopt Amendment 3, which read [original punctuation provided]:

p 1 line 14  
Delete "\$1200"  
Insert "\$1500"

Number 1001

CHAIR GATTO objected.

REPRESENTATIVE GARA pointed out that according to testimony, there are some districts that spend upwards of \$1,450 per student for pupil transportation. The committee has not heard a shred of evidence that those school districts are spending too much or that those costs are either justifiably or unjustifiably high, he asserted. He opined that before the state takes money away from those school districts, the legislature needs to hear why costs are too high. The committee has not heard that evidence. Amendment 3 says that the school districts are allowed to spend what they have been spending.

Number 1076

A roll call vote was taken. Representatives Gara and Kapsner voted in favor of Amendment 3. Representatives Seaton, Gatto, Ogg, Wilson, and Wolf voted against it. Therefore, Amendment 3 failed to pass by a vote of 2-5.

Number 1145

REPRESENTATIVE Ogg moved to report the proposed CS for HB 259 [the version labeled CSHB 259(EDU), 23-LS0767\V], as amended, out of committee with individual recommendations and the accompanying fiscal notes.

Number 1152

REPRESENTATIVE GARA objected.

A roll call vote was taken. Representatives Seaton, Gatto, Ogg, and Wolf voted in favor reporting Version V, as amended, out of committee. Representatives Wilson, Gara, and Kapsner voted against it. Therefore, CSHB 259(EDU) was reported out of the House Special Committee on Education by a vote of 4-3.

REPRESENTATIVE WOLF, later in the meeting, told the committee that although he does not want to hold HB 259 up, he needs to talk with community members about their thoughts on the bill.

VICE CHAIR SEATON returned the gavel to Chair Gatto.

The committee took an at-ease from 1:01 p.m. to 1:04 p.m.

HB 233 - INCREASE EDUCATION FUNDING

Number 1223

CHAIR GATTO announced that the final order of business would be HOUSE BILL NO. 233, "An Act relating to the base student allocation used in the formula for state funding of public education; and providing for an effective date."

CHAIR GATTO said he believes there is not enough time for the committee to discuss the bill at this time. The meeting was recessed at 1:10 p.m. to a call of the chair.

CHAIR GATTO called the meeting back to order at 1:11 p.m. Present at the call back to order were Representatives Gatto, Seaton, Wilson, Ogg, Wolf, Gara, and Kapsner.

Number 1792

REPRESENTATIVE SEATON moved to adopt [Amendment 1]: on page 1, line 6, delete "\$4,150" and insert "\$4,168".

CHAIR GATTO announced that without objection, Amendment 1 was adopted. He said that HB 233 [as amended] is straightforward in that it changes the base student allocation from \$4,010 to \$4,168.

REPRESENTATIVE SEATON, as the Chair of the subcommittee on HB 233, gave a brief explanation of how the subcommittee came up with the amount for the increase in base student allocation. He said HB 233 as amended rolls the LOGS (Learning Opportunity Grants) of \$23.3 million into the formula, along with \$3.9 million from legislation pertaining to the "two-year kindergarten" program, into the base student allocation. Of that \$3.9 million, \$2.2 million will hold harmless those districts that would have lost money by going from the per student allocation to the adjusted student allocation, and the remaining \$1.7 million was added into the formula. Those funds are already in the House budget.

CHAIR GATTO commented that the subcommittee did an amazing amount of work in finding ways to increase the formula without removing funds from some other area.

REPRESENTATIVE SEATON told the committee that the subcommittee also took \$8 million of lapsed foundation formula money from this year and rolled it into a new LOG grant which is based on the adjusted ADM. These new LOGs equal \$38 per student.

REPRESENTATIVE GARA asked for confirmation that the \$8 million in lapsed foundation formula money is not included in the \$4,168 base student allocation.

REPRESENTATIVE SEATON confirmed that it is not included in the base student allocation figure; it is a one-time appropriation that is kept outside of the formula.

REPRESENTATIVE GARA asked if it would be necessary to amend the proposed House budget in order to pass HB 233 [as amended] out of committee - the committee cannot just state that an appropriation will be made.

REPRESENTATIVE SEATON responded that the \$8 million will have to be included in the capital budget. He added that it is the intent of the subcommittee to go to the House Finance Committee on this because that has been the process the LOGs have gone through [in the past].

Number 2016

REPRESENTATIVE KAPSNER said she appreciates the work the committee did on this bill, but disagrees that the funds were not taken from some other areas. The subcommittee took \$3.9 million from the two-year kindergarten program which she wholeheartedly supports.

REPRESENTATIVE SEATON clarified that the subcommittee was trying to stay within the education budget. That does not mean that funds did not come from some other program; rather, they did not come from some other budget outside of the Department of Education and Early Development.

REPRESENTATIVE KAPSNER said that she objects on behalf of the Bering Strait School District.

REPRESENTATIVE GARA said that a few of the members have been in support of increased funding for education. He said his

position has consistently been that the base student allocation should rise to \$4,303 per student to account for inflation dating back to 1998. A number of legislators voted for that on the House floor a couple of weeks ago and it did not pass. He said that given the reality of the proposals that have been introduced and not passed, and the reality that this is an increase over the House budget that did pass, he said he is supporting HB 233 [as amended] with the qualification that he thinks the state can do much better. He said this allocation is better than what the House passed out, and so he will vote to move the bill out of committee. He added that he appreciates the work Representatives Seaton and Wilson did on the bill.

Number 2123

REPRESENTATIVE GARA moved to report the proposed committee substitute for HB 233, as amended, out of committee with individual recommendations and the accompanying fiscal notes.

REPRESENTATIVE KAPSNER said that she does not want to object, but wants to reiterate that she is in strong opposition to taking money away from the two-year kindergarten program. She said she is personally opposed to taking money out of a program that allows four-year-olds to attend pre-kindergarten and kindergarten classes, because so many Alaskans do not have access to preschool or head start; many Alaskans do not come from a "print-rich environment," and many Alaskans are not English-language proficient. She said she believes this is setting kids up to fail because it is clear that there is a group of kids that needs fostering. They need to become comfortable in the classroom and have access to books and reading. In order for these kids to pass the third grade benchmark, they need to get comfortable reading. She said that is the basis for her objection; she said, however, that she will vote for the bill.

REPRESENTATIVE OGG said he would like to see a 2 percent increase in the foundation formula, but that is not possible this year. He commended the subcommittee on its work.

Number 2336

CHAIR GATTO asked if there were any objections to reporting HB 233, as amended, from committee. There being none, CSHB 233(EDU) was reported out of the House Special Committee on Education.

**ADJOURNMENT**

Number 2377

There being no further business before the committee, the House Special Committee on Education meeting was adjourned at 1:25 p.m.