

**ALASKA STATE LEGISLATURE
SENATE EDUCATION STANDING COMMITTEE**

February 6, 2012

8:03 a.m.

MEMBERS PRESENT

Senator Kevin Meyer, Co-Chair
Senator Joe Thomas, Co-Chair
Senator Bettye Davis, Vice Chair
Senator Gary Stevens

MEMBERS ABSENT

Senator Hollis French

COMMITTEE CALENDAR

SENATE BILL NO. 182

"An Act amending the amount of state funding provided to school districts for pupil transportation."

- HEARD AND HELD

PREVIOUS COMMITTEE ACTION

BILL: SB 182

SHORT TITLE: PUPIL TRANSPORTATION FUNDING

SPONSOR(s): EDUCATION

01/30/12	(S)	READ THE FIRST TIME - REFERRALS
01/30/12	(S)	EDC, FIN
02/06/12	(S)	EDC AT 8:00 AM BELTZ 105 (TSBldg)

WITNESS REGISTER

EDRA MORLEDGE, Staff
Senator Kevin Meyer
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Presented SB 182.

STEVE KALMES, Director of Transportation
Anchorage School District
Anchorage, Alaska

POSITION STATEMENT: Supports SB 182.

PETE LEWIS, Superintendent
Fairbanks North Star Borough School District
Fairbanks, Alaska
POSITION STATEMENT: Supports SB 182.

DAVE JONES, Assistant Superintendent
Kenai Peninsula Borough School District
Soldotna, Alaska
POSITION STATEMENT: Supports SB 182.

JOHN ALCANTRA, Director
Government Relations
National Education Association-Alaska
Anchorage, Alaska
POSITION STATEMENT: Supports SB 182.

AMY LUJAN, Executive Director
Alaska Association of School Business Officials
Juneau, Alaska
POSITION STATEMENT: Supports SB 182.

ANNE KILKENNY, representing herself
Wasilla, Alaska
POSITION STATEMENT: Supports SB 182.

ELIZABETH NUDELMAN, Manager
School Finance
Department of Education and Early Development
Juneau, Alaska
POSITION STATEMENT: Neutral on SB 182.

ACTION NARRATIVE

[8:03:08 AM](#)

CO-CHAIR KEVIN MEYER called the Senate Education Standing Committee meeting to order at 8:03 a.m. Present at the call to order were Senators Stevens, Davis, Co-Chair Thomas and Co-Chair Meyer.

SB 182-PUPIL TRANSPORTATION FUNDING

[8:03:52 AM](#)

CO-CHAIR THOMAS announced the consideration of SB 182.

[8:04:41 AM](#)

EDRA MORLEDGE, staff to Senator Kevin Meyer, Alaska State Legislature, Juneau, said beginning July 1, Fiscal Year 2013 (FY13), pupil transportation grants would be based on actual audited pupil expenses with annual Consumer Price Index (CPI) adjustments. She said the bill aligned pupil transportation funding with the amounts agreed to in contracts and eliminated the need for districts to subsidize their pupil transportation grants with foundation funding.

[8:06:19 AM](#)

MS. MORLEDGE said SB 182-Section 1 identified modifications for the pupil transportation funding provided by the state to the amount reported in audited fiscal statement as actual cost, as adjusted for inflation, effective beginning FY13. She said Section 2 provided for an annual inflation adjustment based on changes to the Anchorage CPI, Section 3 repealed the current funding based on per-pupil to an actual cost mechanism and Section 4 provided an adjustment in funding levels for FY12.

[8:07:18 AM](#)

CO-CHAIR MEYER asked to clarify that transportation reimbursement funding would go from a per-pupil means to actual costs negotiated with local bus companies.

MS. MORLEDGE answered correct.

CO-CHAIR MEYER asked if there were a limited amount of pupil transportation companies in Alaska.

MS. MORLEDGE answered correct.

CO-CHAIR MEYER asked if school districts could negotiate separate contracts.

MS. MORLEDGE answered yes. She said districts could negotiate various things in their contract and there was very little control over districts' transportation contracts.

CO-CHAIR MEYER asked if the bill reverted back to a previous way of funding pupil transportation.

MS. MORLEDGE answered not necessarily. She said in 2004, the Department of Education and Early Development (DEED) allowed transportation negotiations to be handled directly by the districts. She said districts were funded based on a flat-rate amount per student as reimbursement costs with a built-in CPI adjustment.

CO-CHAIR THOMAS asked to clarify that a district's audited financial statement would be reviewed annually with a CPI adjustment applied to it.

MS. MORLEDGE answered yes.

[8:11:03 AM](#)

STEVE KALMES, Director of Transportation, Anchorage School District, Anchorage, said the district anticipated a \$2.2 million budget shortfall next year. He said over six million passenger trips and three million miles were traveled annually. He said higher fuel prices have contributed to increased costs. He noted that the current transportation contract was negotiated in 2006 with at a base fuel rate of \$2.50 per gallon. He noted that 2006 gasoline was approximately \$2.35 per gallon and the current price was \$3.72 per gallon. He said the district was reimbursing their transportation contractor approximately \$1.00 per gallon. He said prices for supplies, equipment and buses had also increased from 3 percent to 10 percent on an annual basis. He said additional cost increases were attributed to \$500,000 spent on busing homeless students and expenses associated with transporting students to other schools due to the No Child Left Behind (NCLB) Act.

He said the district had been frugal and focused on providing home-to-school service with no transportation provided for charter schools or optional programs. He said activity busing was not included in the contracted transportation agreement. He said larger buses added to the fleet had increased passenger capacity to carry more students per vehicle.

[8:13:58 AM](#)

MR. KALMES said the average life of buses had been extended from 10 years to 15 years of age in an attempt to avoid the cost of purchasing new equipment. He said contract negotiations in 2016 with MV Transportation could require 178 buses to be replaced.

He supported the move away from the per-student allocation reimbursement model and was hopeful that the new transportation funding scheme would allow for periodic adjustments.

[8:15:11 AM](#)

CO-CHAIR MEYER asked what the requirement was for providing student transportation.

MR. KALMES answered that transportation was provided to regular students who live more than 1.5 miles away, students who live in an area that was determined to be hazardous, special needs students, homeless students and alternate school transportation required from NCLB.

CO-CHAIR MEYER asked to verify that the current funding was not adequate.

MR. KALMES answered that the district anticipated a shortfall of \$2 million in FY12 and \$2.2 million in FY13.

[8:16:53 AM](#)

CO-CHAIR MEYER asked if bus driver and mechanic wages were included in the reimbursement.

MR. KALMES answered that funds for all operational costs were included except for capital costs.

[8:17:10 AM](#)

SENATOR DAVIS asked how many buses the district owned.

MR. KALMES answered that the district operated 40 percent of the transportation service with 121 buses.

SENATOR DAVIS asked if bus transportation contracts favored the district some years and the contractors in other years.

[8:18:03 AM](#)

MR. KALMES answered that limited competition for busing contractors had a negative impact in negotiations. He said the district's contract had been aligned with Mat-Su and Fairbanks to attract larger transportation companies with more competitive bids.

[8:20:15 AM](#)

SENATOR STEVENS asked if Anchorage was unique in transporting pupils with district owned buses and contractor owned buses.

MR. KALMES answered correct.

SENATOR STEVENS asked if the district hired its own drivers.

MR. KALMES answered correct.

SENATOR STEVENS asked how the district's busing costs compared to the contracted operator's cost.

MR. KALMES answered that the district was comparable in costs per student. He said it was beneficial to operate a percentage of busing service to avoid a contract operator monopoly.

[8:21:39 AM](#)

SENATOR STEVENS asked if Anchorage was the only district with its own buses in the state.

MR. KALMES answered that the district was the only mixed transportation operation with the exception of a few small district operated systems.

[8:22:06 AM](#)

PETE LEWIS, Superintendent, Fairbanks North Star Borough School District, Fairbanks, said the district's operating fund was supporting pupil transportation and over \$2 million would be required to make up the difference in FY13. He said a transportation funding adjustment would allow the district to keep operating dollars to support its classrooms.

[8:22:56 AM](#)

CO-CHAIR THOMAS asked if the district had a split operation with district owned buses and contract transportation owned buses. He also asked what impact the higher fuel costs had on the district.

MR. LEWIS answered that all of the buses were owned by the contract operator. He said Fairbanks had special needs due to the extreme winter weather conditions which required covered bus storage and extra insulation to keep bus interior temperatures above 39 degrees. He said the district faced additional costs due to homeless student and NCLB needs.

[8:24:54 AM](#)

DAVE JONES, Assistant Superintendent, Kenai Peninsula Borough School District, Soldotna, said the district contracted all of its transportation and had joined the Anchorage coalition in negotiating five year contracts, but decided to operate independently with its own one year agreement. He said a Request For Proposal (RFP) was announced with the hope to attract additional vendors. He said the district was operating with a transportation budget deficit of \$750,000 for FY12 and classroom money had to be diverted to transporting students. He said the bill would help the district redirect money back to the classroom.

[8:27:44 AM](#)

SENATOR STEVENS commented that the bill would continue separate district based negotiations. He asked if there was a way to bring oversight and control back to the negotiating system.

[8:28:35 AM](#)

MR. JONES answered that DEED should be responsible for transportation contract negotiations. He said the department's involvement could attract additional vendors.

[8:29:54 AM](#)

JOHN ALCANTRA, Government Relations, National Education Association-Alaska, Anchorage, said many districts were operating with transportation budget deficits with money taken directly from classrooms to cover costs. He said teachers had been laid off due to a reduction in general fund dollars for classrooms. He said he hoped the legislature realized the cause of the state's \$3.7 billion surplus and diverted additional transportation funds due to rising gas prices. He said the districts faced a combined \$10 million shortfall for transportation funding in FY13.

[8:32:21 AM](#)

AMY LUJAN, Executive Director, Alaska Association of School Business Officials (ALASBO), Juneau, said a change to district pupil transportation reimbursements was necessary and justified. She said the current mechanism did not sufficiently take into account actual cost increases. She said additional transportation data gathering would be required by the districts and ALASBO could assist.

[8:33:49 AM](#)

CO-CHAIR MEYER asked if ALASBO surveyed the districts for transportation costs.

MS. LUJAN answered no. She said the districts were surveyed without the knowledge that data would be used for drafting new reimbursement legislation. She said additional data gathering would be required.

SENATOR STEVENS commented that he was concerned with the independent contract negotiations done by each district. He asked how to improve contract negotiating consistency throughout the state.

MS. LUJAN answered that without DEED oversight, she had difficulty negotiating pupil transportation contracts when she was an administrator at Kuspuk and Nome school districts.

[8:35:33 AM](#)

SENATOR STEVENS asked if there was a concern with independent district negotiations not getting the best deal.

MS. LUJAN answered yes.

CO-CHAIR MEYER asked if contracts should be done through DEED with guidelines.

[8:36:03 AM](#)

MS. LUJAN answered that DEED should provide some assistance with contract negotiations.

[8:36:51 AM](#)

ANNE KILKENNY, representing herself, Mat-Su Borough, Wasilla, said the bill created teaching jobs by putting money back into the district's general fund. She said increased transportation expenses may cost the district up to 40 teaching jobs. She said the projected transportation funding shortfall ranged from \$3.3 million to \$4.2 million. She recommended that annual funding adjustments be tied to the price of oil or a gallon of gas rather than the Anchorage CPI. She said formula driven funding does not work. She said a task force should be formed to review pupil transportation funding and agreed with Senator Stevens for DEED oversight.

[8:40:56 AM](#)

CO-CHAIR MEYER said he would like to hear from the Mat-Su Valley School District administration for comments on their pupil transportation costs.

[8:41:51 AM](#)

ELIZABETH NUDELMAN, Director, School Finance, Department of Education and Early Development, Juneau, said the bill sets funding rates for FY12 and a second time for FY13 and ensuing years.

She said the FY12 fiscal note was derived from the new per student factors being multiplied by the current preliminary Average Daily Membership (ADM) estimate. She said the calculation created an \$8 million estimated supplemental for FY12.

[8:44:30 AM](#)

MS. NUDELMAN said the bill addressed FY13 and ensuing years by taking the school districts' FY12 audited transportation expenditures plus annual CPI adjustments. She said FY12 expenditures were being calculated and would be completed by June. She said the FY13 fiscal note increase of \$19.9 million was calculated by multiplying audited expenditures from 2011 by 26 percent plus a 3.2 percent CPI adjustment. She said the 26 percent increase was based on recent contract increases in larger Alaska school districts.

[8:45:57 AM](#)

CO-CHAIR MEYER commented that he favored transportation reimbursements based on actual costs. He said each district was unique and the current per pupil method may not be capturing the accurate costs. He said the fiscal note was large and asked if EED favored a cost or pupil based reimbursement program.

[8:47:49 AM](#)

MS. NUDELMAN answered that the costs in the fiscal note could be lower when actual expenses were confirmed. She said the state currently spends approximately \$64 million on pupil transportation. She said the \$8 million supplemental appropriation in the bill would bring FY12 spending to \$72 million. She said if all the state did was add the current 3.2 percent CPI to the FY12 expenditure, pupil transportation spending would be \$74 million in FY 13. She said a supplemental appropriation plus CPI increase for the current per-pupil program or the bill's cost formulated funding would both be in the range to address increased transportation costs.

[8:49:31 AM](#)

CO-CHAIR MEYER asked to verify that the bill would have an average \$10 million annual increase over the current per pupil method.

MS. NUDELMAN answered no. She said FY13 would increase by \$19.9 million.

[8:50:57 AM](#)

CO-CHAIR MEYER commented that the committee's focus was on coming up with the best policy for pupil transportation and coming forward with a funding amount that the Finance Committee would support.

[8:51:19 AM](#)

SENATOR STEVENS commented that he was worried about the lack of contract DEED oversight. He said districts required negotiating assistance. He said an audit was not enough and asked the department to come forward with recommendations.

[8:53:34 AM](#)

CO-CHAIR MEYER commented that districts required contract guidance.

CO-CHAIR THOMAS said the \$19.9 million increase for FY13 included the \$8 million supplemental appropriation that addressed FY12's deficit. He suggested ALASBO be involved with DEED for oversight. He said good analysis on the policy of what takes place with pupil transportation versus strictly examining expenses would be beneficial.

[8:55:25 AM](#)

SENATOR DAVIS said DEED endured cutbacks in previous years and the ability to support additional transportation oversight may be difficult. She said she supported change and asked the department to come forward with recommendations. She said she was bothered by the department not taking a stance to correct the transportation funding situation.

MS. NUDELMAN answered that she recognized transporting children to schools was an important program for Alaska. She said costs continue to rise and a solution could be found.

[8:57:13 AM](#)

CO-CHAIR MEYER asked DEED to offer a solution when SB 182 was brought back for consideration.

[8:57:28 AM](#)

CO-CHAIR MEYER stated he would hold SB 182 in committee.

[8:57:50 AM](#)

There being no further business to come before the committee, Co-Chair Meyer adjourned the meeting at 8:57 a.m.