

**ALASKA STATE LEGISLATURE**  
**SENATE EDUCATION STANDING COMMITTEE**

February 24, 2012

8:03 a.m.

**MEMBERS PRESENT**

Senator Kevin Meyer, Co-Chair  
Senator Joe Thomas, Co-Chair  
Senator Hollis French  
Senator Gary Stevens

**MEMBERS ABSENT**

Senator Bettye Davis, Vice Chair

**COMMITTEE CALENDAR**

SENATE BILL NO. 182

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

- MOVED CSSB 182(EDC) OUT OF COMMITTEE

**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)
02/06/12	(S)	Heard & Held
02/06/12	(S)	MINUTE(EDC)
02/17/12	(S)	EDC AT 8:00 AM BELTZ 105 (TSBldg)
02/17/12	(S)	Scheduled But Not Heard
02/24/12	(S)	EDC AT 8:00 AM BELTZ 105 (TSBldg)

**WITNESS REGISTER**

EDRA MORLEDGE, Staff  
Senator Kevin Meyer  
Co-Aide  
Senate Education Standing Committee  
Alaska State Legislature  
Juneau, Alaska,

**POSITION STATEMENT:** Explained the committee substitute for SB 182.

DEENA PARAMO, Superintendent  
Mat-Su Borough School District  
Palmer, Alaska

**POSITION STATEMENT:** Supported SB 182.

PETE LEWIS, Superintendent  
Fairbanks North Star Borough School District  
Fairbanks, Alaska

**POSITION STATEMENT:** Supported SB 182.

ELIZABETH NUDELMAN, Director  
School Finance  
Department of Education and Early Development  
Juneau, Alaska

**POSITION STATEMENT:** Supported the intent of SB 182.

LES MORSE, Deputy Commissioner  
Department of Education and Early Development  
Juneau, Alaska

**POSITION STATEMENT:** Supported the intent of SB 182.

#### **ACTION NARRATIVE**

[8:03:19 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 French, Stevens, Co-Chair Thomas and Co-Chair Meyer.

#### **SB 182-PUPIL TRANSPORTATION FUNDING**

[8:03:43 AM](#)

**CO-CHAIR MEYER** announced the consideration of SB 182.

[8:04:39 AM](#)

**SENATOR FRENCH** joined the meeting.

[8:05:07 AM](#)

**CO-CHAIR THOMAS** moved to adopt the committee substitute (CS) for SB 182, labeled 27-LS1283\E as the working document.

**CO-CHAIR MEYER** objected for the purposes of discussion.

EDRA MORLEDGE, Staff for Senator Meyer, Alaska State Legislature, said the CS for SB 182 did several things to address the rising costs of pupil transportation. She said the bill would recalibrate the per-pupil amount given for pupil transportation programs to school districts. She said the current per-pupil program would be changed to a reimbursable program which would be based upon actual annual financial audits that were reported to the Department of Education and Early Development (DEED). She said the CS would also provide DEED with oversight required to control the school districts' pupil transportation program costs.

[8:06:53 AM](#)

MS. MORLEDGE said Section 1 in the original bill established the reimbursable program to begin in Fiscal Year 2013 (FY13). She said the CS would change the program to begin in Fiscal Year 2014 (FY14) to allow for a second year to transition into the reimbursable program.

She said Section 2(e) would add authority for DEED to regulate the Request-For-Proposals (RFP) program. She said DEED would have the authority to adopt regulations to provide for the oversight and support to school districts to achieve a safe and cost-effective student transportation system.

She said there were no changes made to Section 3. She said Section 4 established the per-pupil amounts for Fiscal Year 2012 (FY12) and FY13. She said per-student amounts were based upon figures districts reported as their actual projected costs. She noted that a 3.2 percent increase for the second year was based upon the Consumer Price Index (CPI).

[8:08:48 AM](#)

CO-CHAIR MEYER asked if the intent was to get all of the schools on the same schedule to allow DEED to do an RFP to receive additional competitive bids for statewide transportation.

MS. MORLEDGE answered yes.

CO-CHAIR MEYER asked if the intent was to continue with the current per-pupil reimbursement program for the next two years and transition to an actual cost program in subsequent years.

MS. MORLEDGE answered correct. She said the next two years would be based upon the school districts' annual financial audits. She said DEED's RFP process would allow contracts to include

allowable additions that districts would have to fund in other ways.

CO-CHAIR MEYER asked if the intent was to get DEED more involved based upon specific guidelines and specify what the state and school districts would pay for additional transportation requirements.

MS. MORLEDGE answered correct.

[8:10:38 AM](#)

CO-CHAIR MEYER asked if the per-pupil rates for the next two years were based upon a survey.

MS. MORLEDGE answered yes. She said a comprehensive survey was conducted by the Alaska Association of School Business Officials.

CO-CHAIR MEYER asked if any of the districts' per-student amounts went down.

MS. MORLEDGE answered no.

CO-CHAIR MEYER asked if the per-pupil transportation costs had gone up in all of the school districts.

MS. MORLEDGE answered yes. She said costs had gone up significantly.

CO-CHAIR MEYER commented that the whole intent of the committee was to try and get a handle on the transportation costs and control them.

CO-CHAIR THOMAS said many transportation issues were relatively complex and would not be solved due to unique transportation methods that would discourage companies from bidding. He said language in the bill was loose enough to allow for unique transportation situations to enable companies to bid on a wider number of schools.

[8:12:49 AM](#)

CO-CHAIR MEYER asked to verify in Section 4 that the primary goal was to do per-student amounts for the larger schools.

MS. MORLEDGE answered correct.

CO-CHAIR MEYER replied that some small schools required students to be flown in.

MS. MORLEDGE responded that some students in Pelican required a boat to attend school.

CO-CHAIR MEYER replied that receiving bids from an RFP would not occur in some communities due to unique transportation requirements.

SENATOR STEVENS asked if seven school districts accounted for 90 percent of the students being transported.

MS. MORLEDGE said yes.

CO-CHAIR MEYER responded that the intent was to encourage additional bids from a larger sampling area. He said another goal was to have standardized student transportation throughout the state.

MS. MORLEDGE answered correct.

CO-CHAIR MEYER asked if DEED was going back to the student transportation process that was used in 2003.

MS. MORLEDGE answered correct.

CO-CHAIR MEYER replied that the process prior to 2004 was done for quite a while.

MS. MORLEDGE answered yes.

CO-CHAIR MEYER said the state had gone full circle regarding a centralized pupil transportation program.

SENATOR STEVENS said he would like to hear from DEED on how they intend to deal with the RFP process.

[8:15:24 AM](#)

DEENA PARAMO, Superintendent, Mat-Su Borough School District, Palmer, said the district spanned 25,000 square miles, an area larger than West Virginia. She said the district had 44 schools with an enrollment of approximately 17,330 students.

She said the district supported the retrospective expense reimbursement model that was proposed in SB 182. She said the bill recognized that school districts' transportation operations

were unique and allowed for the individualization required to address the vast differences. She said the bill focused solely on home-to-school pupil transportation and provided adequate visibility of transportation expenditures for all districts.

She said the district was a good steward of tax payer funds and issued an extremely detailed competitive bid to ensure that the best possible transportation value was obtained. She said the district was forced to find operational monies to support student transportation. She said the district's current transportation contract did not include a fuel escalator clause in order to avoid the risk of higher fuel prices. She noted that the current five year contract would save the district \$11 million.

[8:19:23 AM](#)

MS. PARAMO said the district continued to seek ways to reduce costs. She said the district operated two less routes and added 291 students versus the prior year. She said the district was engaged in a competitive route optimization study that was designed to decrease the number of busses and routes. She said negotiations with the district's transportation contractor continued in an effort to reduce operating costs by evaluating the advantage of a possible second terminal, route consolidation and other operational efficiencies. She said the district was investigating possible changes to school schedules for additional cost savings.

She said the district entered the first year of a five year contract and the single largest cost increase was caused by AS 23.10.065(b) which mandated public bus school drivers be paid 200 percent of the minimum wage when contracts were renewed. She said the new contract included language that required the average age of the fleet not exceed 10 years and no bus be older than 12 years. She noted that two digital cameras were now required on each bus to ensure safety and proper student behavior.

[8:22:08 AM](#)

CO-CHAIR MEYER asked if the Mat-Su School District's expenses went up 27 percent.

MS. PARAMO answered correct.

CO-CHAIR MEYER responded that costs had gone up for all school districts and the Mat-Su District's increase was not unusual.

SENATOR FRENCH asked to clarify the Mat-Su School District's field trip transportation numbers for students.

MS. PARAMO answered that only home-to-school and special education routes would be reimbursable by the state. She noted that field trips would not be reimbursable.

SENATOR FRENCH asked why the district had four times the amount of field trips versus regular education routes.

MS. PARAMO answered that home-to-school routes were operated under the guidance of a route optimization system. She said field trips and daily inter-school bussing were less efficient due to fewer students being transferred per bus. She noted that inter-school bussing students to one location paid off by reducing program cost and staffing by allowing for a single class for multiple schools.

[8:25:42 AM](#)

SENATOR FRENCH responded that it looked like five times as many field trips occurred versus regular school trips.

MS. PARAMO replied that inter-school bussing occurred daily between schools.

[8:27:02 AM](#)

PETE LEWIS, Superintendent, Fairbanks North Star Borough School District, Fairbanks, said the district was using school operating funds to support transportation and next year's deficit projection was over \$2 million. He said SB 182 would help alleviate the short fall that was covered by school operating funds.

[8:28:07 AM](#)

ELIZABETH NUDELMAN, Director, School Finance, Department of Education and Early Development, Juneau, said SB 182 addressed the pupil transportation system via AS 14.09.010. She said the current system dated back to 2003 when the "accountable system" was replaced with an "unaccountable system" and the per-student funding mechanism was established to constrain costs.

She said in 2003, DEED testified that previous attempts to control costs by working with school districts to align contract bid periods and promote competition did not substantially lower costs. She said the per-student cost constraint system replaced DEED's statutory and regulatory authority for the program's components regarding contracts, number of routes, allowable

expenditures and other elements. She said the current law also deleted the statutory language specifically designating the pupil transportation program as "to and from" school transportation. She said DEED's pupil transportation staff position and funding were eliminated in 2004.

She said for eight years the current mechanism controlled costs for pupil transportation and noted that one CPI increase occurred in 2009. She said the current expenditures reported by districts reflected newly signed five year contracts for 2012 through 2016; Anchorage, Mat-Su, Fairbanks, Kodiak and Ketchikan. She said contracts had varying levels of service from one district to the next due to unconstrained regulation. She said the program constraint was moved from allowable costs to the per-student funding mechanism.

She said SB 182 included language that directed DEED to adopt regulations to provide oversight and support for a safe and cost effective student transportation system. She said DEED envisioned a framework that included the addition of a staff position to assist districts with the RFP process and monitor allowable costs. She said student transportation was a valuable program to the state of Alaska and DEED was working hard to ensure students were transported to school in a safe manner.

[8:31:15 AM](#)

LES MORSE, Deputy Commissioner, Department of Education and Early Development, Juneau, said DEED understood the concerns about cost containment and the intent of SB 182 by the bill's sponsor. He noted that Commissioner Mike Hanley was truly concerned about student transportation cost containment.

He said various transportation funding models had been used and SB 182 was similar to the previous model that allowed DEED to be involved with the districts. He noted that DEED could not make guarantees due to historical outcomes from previous transportation funding models.

He noted that the administration would have some concerns on a supplemental for the current year's formula program. He said DEED would address the administration's supplemental funding issues when SB 182 was brought before the Senate Finance Committee.

[8:33:08 AM](#)

CO-CHAIR MEYER responded that he appreciated DEED's comments. He said he was unsure if DEED truly supported SB 182. He noted that

funding student transportation via the Base Student Allocation (BSA) formula was difficult due to higher fuel prices. He said SB 182 would provide a method to get a better handle on all of the transportation expenses. He asked if DEED was in support of controlling costs as well.

MR. MORSE answered yes. He said DEED understood the intent of SB 182 and noted there would continue to be challenges along the way. He said DEED would strive to make SB 182 very effective in terms of cost containment.

8:35:00 AM

CO-CHAIR MEYER asked if an updated fiscal note was presented.

MS. NUDELMAN answered that a new fiscal note had not been formally prepared for the committee. She said the 2013 fiscal note would be approximately \$10 million less than the survey results and the the CPI for the out-years would be proportionally less. She said SB 182 would recalculate costs for the June 30, 2013 financial statement audit and noted that actual costs were currently unknown.

SENATOR STEVENS commented that he was more comfortable with DEED being directly involved with pupil transportation. He noted SB 182 would focus on larger districts and would affectively abandon smaller districts. He asked how DEED would address transportation for smaller communities.

MS. NUDELMAN answered that DEED would expect to be able to support all districts under the same set of circumstances. She said DEED would be able to provide smaller districts with the specific help needed.

8:38:10 AM

SENATOR STEVENS asked how program auditing would work through DEED.

MS. NUDELMAN answered that the audited financial statements would provide DEED with a record for overall results.

CO-CHAIR THOMAS commented on a previous statement that noted student funding had gone from an accountable to an unaccountable system and the negative connotations associated with unaccountability. He asked if SB 182 would move student transportation back to a more accountable system.

MS. NUDELMAN answered that the accountability terms were simply associated with calculating transportation funding. She said DEED used a funding calculation and the school districts were the stewards of the programs. She said the state was fortunate to have strong professionals in districts that addressed pupil transportation. She said SB 182 would simply return transportation oversight back to DEED.

CO-CHAIR THOMAS asked if the more accountable system was similar to what was previously administered prior to 2003.

MS. NUDELMAN answered yes.

CO-CHAIR MEYER commented that his intent was to go to a more accountable system with program uniformity throughout the state.

[8:41:43 AM](#)

SENATOR FRENCH asked what was the state spending per year for pupil transportation.

MS. NUDELMAN answered that the state spent \$62 million for 2012.

SENATOR FRENCH asked what changes we made after 2003 and what the current status was.

MS. NUDELMAN said the impetus to change student transportation funding was based upon rapid growth in the five years prior to 2003.

SENATOR FRENCH asked what funding method was used prior to 2003.

MS. NUDELMAN answered that reimbursable grants were used to fund pupil transportation and were not BSA based. She said DEED would approve routes and purchases. She said a school district would submit a report and DEED would send them a check. She noted that pupil transportation was separate from education programs.

SENATOR FRENCH replied if the receipt reimbursement method was used prior to 2003.

MS. NUDELMAN answered yes.

SENATOR FRENCH asked what happened after 2003.

MS. NUDELMAN answered that the law changed and whatever districts were spending on pupil transportation was divided by the average daily membership for each district. She said if a

district was spending \$800 per average membership that became the district's rate. She said each year DEED multiplied a district's rate by their average daily membership and sent them a check.

SENATOR FRENCH asked if that form of funding persisted until today.

MS. NUDLEMAN answered correct.

SENATOR FRENCH asked if we were going back to a system that was more like the receipt reimbursement method.

MS. NUDLEMAN answered correct.

[8:44:30 AM](#)

SENATOR STEVENS asked if districts had to use other funds to pay for transportation prior to 2003.

MS. NUDLEMAN answered no. She said districts received 100 percent reimbursement prior to 2003. She noted that per-student allotment funding covered school districts for 100 percent reimbursement during the five years after 2003. She said districts had used other funds to cover deficits during the last three to five years.

CO-CHAIR MEYER asked if SB 182 would require DEED to add staff.

MS. NUDLEMAN answered yes. She said DEED anticipated adding a position to assist districts.

CO-CHAIR MEYER commented that he did not have a problem with adding an individual to save money in the long run. He said the Finance Committee would look closely at the approximate \$64 million required to fund student transportation and the justification to add a program administrator.

[8:47:27 AM](#)

CO-CHAIR THOMAS responded that the Finance Committee would require expert explanation on the approximate \$64 million required for transportation.

CO-CHAIR THOMAS moved to report CSSB 182( ), version E, from the committee with individual recommendations, forth coming fiscal note(s) and letter of intent.

[8:48:19 AM](#)

CO-CHAIR MEYER said seeing no objection, CSSB 182(EDC) moved from the Senate Education Standing Committee. [The assumption was that Co-Chair Meyer removed his objection.]

8:50:10 AM

There being no further business before the committee, Co-Chair Meyer adjourned the Senate Education Standing Committee meeting at 8:50 a.m.