

SB

222

SB 222
By: Rules Comm.
By Request of Gov.

"Budget meeting ⁸ HESS 79-80
appropriation to all Dept. of Educ.
Pupil Transportation Component
& providing for an effective
date."

Introduced: 2-14-79

Logged: 2-14-79

Referrals: Finance

Committee meeting 2-21-79

" action passed out of committee

JB 222
MINUTES

Heather Flynn: I have virtually nothing to say about 222 directly, only in concept. I don't know why there is a sum of \$177,500 in there if you really want to balance the budget for the money we didn't get this year, it ought to be \$3.2 million. If you are willing to make that recommendation out of this committee into Finance . . . \$177,000. I understand the Department of Education wants to balance its books. The problem is that we were underfunded, every school district in the state was underfunded this year. \$177,000 doesn't cover it. Anchorage alone was underfunded by \$364,000.

I also have the problem of the entire FY 80, 81 figures. One of the things when we were going into our budget process was trying to deal with the fact that we were underfunded from last year, and then being given direction from the Department of Education that we would only get a 6% increase over last figure. Since last year's figure was underfunded, that made us doubly in the hole. Almost \$600,000 right there. Mr. Greene from the school boards association started doing some checking around and frankly, these are his figures. What is built in the DOE budget does not jive with what we have requested. We are a whole heck of a lot better off than we thought we were. If we were really smart we would keep our mouths shut and keep the money and run.

I would request that the committee look at those figures carefully and see what is the basis upon which the DOE recommendations are being made for transportation

Sen. Sturgulewski. May we have the significance of these figures? We are talking about next year's budget.

Heather Flynn. I'm saying that we're making a request for \$6.3 million to cover our needs and the DOE budget from what Bob Greene has been able to indicate is \$7 million plus. We don't understand the discrepancy.

Sen. Sturgulewski. You are bringing this up not because it relates to 222 but the concept . . .

Heather Flynn. The other problem is we contract a great deal of our transportation and because it is a flow-through payback to us, we go out for proposals. We don't get bid specs, we take proposals. When those proposals were done last year, they were done with daily, sometimes hourly contact with DOE and complete acquiescence, they knew exactly what was every single line. They were involved because of the K&E bus contract in Eagle River. It is a little bit of bad faith bargaining if then you come back in and you know exactly what it is going to cost us to pay those contracts and then you come back and say we're going to limit you to 6% when you know well there is an 8% built in there.

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Sen. Ferguson. Wasn't it about two years ago the school districts didn't have to comply with any DOE requirements, didn't have to comply with any statute limitations on contractual services for student transportation. You could go out and get a contract and pay excessive amounts of money and the State has no control over that. Two years ago the legislature I believe requested the DOE try and find some formula or put a limit on it. In the legislative finance intent there was no more than 5% increase or 6%. Maybe Nat could direct us on that, because I think that relates to what we are going here.

Nat Cole. You are really talking about three things here Mr. Chairman. The bill you have in front of you deals with FY 78. It does not even pretend to fully fund FY 78. That is not the intent of the bill at all. What happened is during the process of the fiscal year 78 we had a supplemental request before the legislature. It had passed both houses and as is possibly in any year at any time, it fell through the cracks in the last hours. So, the supplemental didn't come about.

What we had done in pretty good faith and anticipation because past practices had shown us that, we had paid some district more than they would get on a proration when that supplemental did not pass. So what this bill does is simply allow us to collect from those who are overpaid and deposit back to the general fund . . . take this appropriation and distribute to the ones that were underpaid on the proration on what should have been a statewide proration and simply even out 78 at lower dollars than the costs that were required in those school districts.

Sen. Hackney. This is an entirely separate matter from what has come up here.

Nat Cole. That's the bill and that's all that bill intends to do.

Sen. Sturgulewski. This bill before us then straightens out some injustices so it sounds like it needs to be.

Bill Thomson. Really its an accounting transaction except the state books are closed and according to the division of finance and internal audit this is the only way to handle it.

Sen. Sturgulewski. I would move that we pass out of committee SB 222 with individual recommendations and I intend to vote do pass.

Sen. Hackney. No objections? So ordered. Let's talk about the state situation here.

Nat Cole. That brings us up to a point where FY 78 was not paid at 100%. It was prorated at around 94%. Because for the 79 appropriation the legislative intent said you will fund 78 plus 6%. Whatever was paid in 78. That intent, again I think in total good faith, was placed in there feeling that 78 would be fully funded according to the contract. I don't think because the

supplemental was in front of them both houses has passed the supplemental and that would have fully funded 78. That was the basis that the intent was based then. But the intent does say 78 plus 6%. That was passed by both houses, placed in the free conference with a letter of intent and we take it as a matter of statute. That's we're told to do. So we took 78 and have added 6% to it.

Because we had estimated slightly high on our needs for 79 and on our supplemental needs for 78 and placed the actual cost that we thought would accrue on 79 on that, we actually got an appropriation for 79 which exceeds 78 plus 6%. It exceeds it by \$2 million or rather a \$1.5. In essence, based on the intent we have in front of us right now, we will not spend \$1.5 million of our 79 appropriation. That elapsed because our distribution formula that is given to us by the legislature is 78 plus 6%. We still have some lapse I think if we went back somehow and the legislature says fully fund 78 which would be about another million dollars and then if we put 6% on that we would still have a half million dollar lapse.

Sen. Hackney. We could actually do that in considering these figures right here and come out just about a push. In other words, the State general fund wouldn't be impacted.

Nat Cole. Yes, in terms of the appropriation. Other than the fact that, and we discussed this with your subcommittee, we have reported to your subcommittee that based on what we have as intent in front of us and the 78 actual payments . . .

Sen. Hackney. Did you have these figures at that time?

Nat Cole. Those aren't our figures.

Sen. Ferguson. This is the Alaska State School Board Association.

Nat Cole. Going on. We are talking 79. Based on 78 was actually paid plus 6%, 79 is a million and one-half high. If we took those balloon figures for 79 and projected for 80 which we did in addition to just looking over some historical percentage increases over the past 5 or so many years, recognizing about 1/3 of the contracts in the state will be up. We add all those together and requested the \$23.5 million for FY80. That is in front of the legislature at this time. The governor's allowance was \$19,900,000 and what Bob Greene is saying here and what I can't confirm or refute, I can argue that you don't have all of the cards in this deck. What he is saying is that \$19.9 might be close to 100% of what is actually going to be costing for FY80 for pupil transportation. We're not very comfortable with that. We know that historically when new contracts come up they come at something more than a 6% increase.

Sen. Hackney. That's not always the case though, Nat. There have been cases where they rebid and they actually come out way ahead by rebidding for a number of very valid reasons.

Heather Flynn. That is exactly what Anchorage did last year, was rebid on those contracts and we negotiated them down considerably. I don't mean that to be making nasty comments about any bad faith bargaining, but we got caught in the calendar. We were negotiating the contract and went back and rebid and re-negotiated in the meantime it was literally after our negotiations were completed that you ended up with what your appropriation levels were going to be and the bills that were being submitted for them. So, we were all done and we got caught in a crack too. When you said 78 level plus 6%, all of a sudden we found ourselves with about a \$700,000 deficit, which we eat in local funds and that becomes a problem.

Bill Thomson. One of the things too, that may account for budget differences and that is we budget on a maximum reimbursement. We know that the maximum that we could pay out in 79 plus 6% equals the governor's figure in the budget which is \$19.9 million. That would be the maximum. We have, of course, the private contract pretty well determined and then you have the school district offers. Anchorage is the biggest and it is reimbursable.

Sen. Ferguson. Has a study ever been made on whether prior to the time that we really had a handle on how much school districts paid for transportation whether in fact those rates may have been inflated at the time?

Bill Thomson. Definitely. We did have an internal audit, the legislature, particularly Senate Finance Committee for several years questioned us extensively because being appalled at the tremendous jumps in pupil transportation costs. Two years ago as a result of the audit we revamped our pupil transportation regulations to tighten up some things. Particularly where it really came to bear we had some transportation contractors running activities, let's say tour buses, pipeline buses and school buses and they ordered loads of tires and bulk oil and being able to determine from their statement of operation, did the tires really go on the bus? where did they go? We now have as a requirement is a year-end statement of operation certified by an auditor. This has really helped in having someone work fulltime in pupil transportation getting a handle, we still have some problems and a lot of times the district doesn't want to accept what we take as recommendations. Then it comes back to it that if you don't want to accept the recommendations, there are costs that we can tie back to our recommendations and if you don't accept them, then the local board must be willing to pay for it. I know that several things, I'm very interested to see what happens when Fairbanks opens up as far as . . . This is where in one large contract for all of the buses in Fairbanks one of the things we recommended, frankly at our insistence is dividing it into service areas similar to Anchorage. We felt it would encourage competition among contractors.

Sen. Hackney. They were prepared to do that and then they jerked that back and went to a single didn't they?

Bill Thomson. No. Here is what has happened with the Fairbanks

situation. Right now the buses are built on what's called a medium size chassis. Right now the demand for trucks that use them is full capacity in the U. S. Therefore, if someone has to go out and buy buses, the minimum of 9 months and 12 months in advance is when you have to order them. Getting ready for this coming fall, there was no bus manufacturer that we could get hold of that would state us a guaranteed delivery date in any contract. Therefore, we recommended to Fairbanks that they extend the contract for one year under the existing terms. Then invite proposals this spring and make awards next year.

Sen. Fahrenkamp. Then the contracts this year went out under the same price and everything as last year?

Bill Thomson. Yes, plus an inflation factor. (The COLA factor that is in the contract.) There are reductions for dropping of loads, that is all part of the contract.

THE END

W. Glenn

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BUS TRANSPORTATION FIGURES FY 80

Contacts with business offices of selected districts indicate D.O.E. figures somewhat high. Listed here are D.O.E. and AASB figures:

	<u>AASB</u>	<u>DOE</u>
Juneau	685,000	853,869
Kenai	2,100,000	2,850,706
Mat-Su	2,400,000	3,138,088
Anchorage	6,300,000	7,006,681
Nenana	78,625	145,250
Kodiak	152,913	243,970

This list constitutes all districts contacted. My point being, that my sampling showed a pattern of high figures for D.O.E.