MINUTES OF THE HOUSE APPROPRIATIONS SUBCOMMITTEE ON EDUCATION
January 28, 1983

A meeting of the House Appropriations Subcommittee on Education was held on Friday, January 28, 1983 at 8:00 a.m. in Room 104 of the State Capitol. With Chairman Rep. Esther G. Bengtson presiding, all members were present. Executive Action was taken on part of the Post-Secondary Vo-Techs. budget, and the OPI Gifted and Talented Program. In addition, the Committee worked on the OPI School Lunch Program and the OPI Transportation Program.

The Post-Secondary Vo-Tech. budget was considered first. The Chairman brought the Committee members up to date regarding the action taken thus far on the budget: all recommendations from the LFA were accepted except Capital Equipment over $1,000. Support staff changes were worked up by Ms. Pam Joehler, LFA, and were presented; see Exhibit "A."

Ms. Joehler explained the changes outlined in Exhibit "A." The titles of the positions varied from center to center and she streamlined this. These were the staff standards that OPI had developed at the time the formula was put together. She pointed out that the standards were not set in concrete. It was up to the Committee to decide if they were appropriate. The Interim Finance Committee had said it would determine the appropriateness of the staff patterns after the budget was developed.

Chairman Bengtson said that she and Sen. Jacobson had discussed summer enrollment and its effect on the formula. Ms. Joehler said the Butte summer school student FTE was not part of the formula because the Butte summer school was started in FY 1983. Rep. Bengtson wanted to know, if Butte had been funded to start summer school, why those FTE had not been considered. Sen. Haffey said that this was an example of how ongoing things could be missed because of their timing. Rep. Bengtson said that if the Butte Vo-Tech. was going to have a viable four-quarter system, the Legislature needed to consider those FTE's that would be enrolled in summer school. Discussion took place regarding the length of the school day and its effect on the FTE level.

Rep. Bengtson wanted to know how much more funding Butte would get if the summer enrollment had been included in the base. Ms. Joehler said Mr. Graham told her that 55 additional FTE's could be generated from the summer school. This would make about a $100,000 per year difference in their funding. Mr. Freeborn, Butte Vo-Tech., said the number of actual students would be 104.

Sen. Haffey wanted to know if there was a demand for the full course offering in the summer. Mr. Freeborn said there had been a demand for the courses they ran, and they set a minimum of ten students before a class would be offered.

The Chairman stated that she had had Ms. Joehler work up an estimate of funding with the implementation of caps; see Exhibit "B" for the results. About $1 million more would be generated with caps. The object of the caps is to guarantee that each center received at least a 5% funding increase, but no more than a 10% increase. In response to Rep. Bengtson, Ms. Joehler said she didn't think the formula would ever become workable if caps continued to be made use of.

Rep. Donaldson submitted that before a decision on capping could be made, the issue of pay increases, if any, had to be addressed. Ms. Joehler submitted that if caps were implemented, the Vo-Techs. would have in essence received a pay plan. Rep. Donaldson said the instruction portion of the budget did not reflect a pay plan. He reiterated that a pay plan increase should be put in before any capping because it influenced the budget significantly. Ms. Joehler pointed out that the additional student FTE would generate additional instructional dollars.

In response to Rep. Peck, Sen. Jacobson explained that the Butte Vo-Tech. summer school was dropped in 1978. The other programs do have summer schools. The 1981 Legislature reinstated Butte's summer school program at a very modified level, with the State providing them $50,000.

Rep. Peck questioned the cost-effectiveness of summer programs. Mr. Gene Christiaansen, OPI, explained that the program mix was such that some of the programs at Vo-Techs. go four quarters. Rep. Peck submitted that setting an enrollment minimum at ten was not realistic for all programs, and it would be much too low for some and therefore not cost effective. Mr. Christiaansen agreed that setting ten as a flat limit wasn't realistic; he said that the centers had to set minimums they felt comfortable with in terms of their cost.

Discussion took place regarding the counselor/student ratio. Mr. Christiaansen pointed out that there was still confusion regarding the agreed-upon definition for those people that worked 12 months vs. those that worked 9 months. Ms. Joehler said she used the staffing patterns from the OPI draft procedures and policies manual for the post-secondary centers. She said there may be an interpretation problem.

Equipment was then considered. Copies of equipment lists for each of the centers were distributed by Ms. Joehler; see Exhibit "C."

In response to Rep. Bengtson, Ms. Joehler explained that some capital equipment was included in the equipment category on the LFA Expenditure comparison sheet. (See Exhibit "B," January 25, 1983) She had received from the centers a copy of "Property

Accountability Management System," of PAMS. Through OPI, the centers also provided the LFA with a detailed list of their equipment requests. She added that equipment with a unit cost of $1,000 or less was not included on Exhibit "C." With the exception of the Billings Center, the centers received a 7-8% increase over the past biennium. It was pointed out that the items on Exhibit "C" went beyond what the LFA had included in their estimate. Ms. Joehler said that the equipment contained in the LFA proposal was all for current level programs.

Sen. Haffey wanted to know if any salvage was being received on old equipment, and if so, where did that show up in the budget. Jim Taylor, Missoula Vo-Tech., responded. The equipment requests they submitted were "net of trade-in."

$418,560 covered variable and capital equipment. $175,560 of that amount had been already approved by the Committee. The remainder included some of the itmes listed on Exhibit "C." Ms. Joehler pointed out that the lists in Exhibit "C" weren't prioritized. Also, she had been unaware that there had been changes to the equipment requests after she had received them from the Centers in November, 1982. Apparently the centers have not seen what is listed in the budget. Mr. Christiaansen pointed out that the centers did prioritize their equipment lists in the OPI budget. (Exhibit "A," January 24, 1983.)

Sen. Haffey moved that in the Equipment category, $243,000 be approved additionally to the $175,560. This is with the understanding that the breakdown the LFA came up with be provided to the Centers. Rep. Donaldson said he would rather have the figure held out so that the Centers could address it. The LFA level, he submitted, was as good as the Committee could do until it could be estimated whether the equipment needs were accurate or not.

The question was called for; motion carried unanimously.

The Committee then readdressed the issue of summer enrollment at the Butte Vo-Tech., and the caps. Rep. Donaldson moved that the summer enrollment for 1983 be included in the Butte base. Discussion took place. Ms. Joehler said that, assuming there would be 28 additional FTE each year, in 1984 the appropriation would be $51,744 more and $52,136 in 1985. She said that the Committee needed to decide whether or not the move into the new center should be addressed in the second year of the biennium. She said the current enrollment estimates did not consider summer enrollment or the move.

The question was called for; motion carried unanimously.

Rep. Donaldson moved that Ms. Joehler develop the figures for the Butte move and come up with the dollar amount, in conjunction with Mr. Freeborn.

Rep. Bengtson asked Mr. Freeborn if he hadn't stated that

additional enrollment could be absorbed within the formula. He replied that they probably could, but operations would cost more.

The question was called for on Rep. Donaldson's motion; motion carried unanimously.

Discussion then took place regarding the caps and how they would affect the centers. In response to Rep. Donaldson, Ms. Joehler said that the centers were not in disagreement with the LFA regarding enrollment projections. Sen. Haffey said his only problem with the caps was how much could be thrown into them without saying they were being abused. Loren Frazier, Great Falls Vo-Tech., said he didn't know if caps were the answer to getting to the point where a formula could be adopted. Roger Bauer, Billings Vo-Tech., said that he calculated that they were $20,000-$35,000 off on the projections for the local added mill. They may have to increase what they originally speculated they would have to ask for. He expressed hope that the local board of trustees would consider the entire situation and separate the mill levy out.

Rep. Peck submitted that the Committee was looking for a utopia that wasn't there if they expected to create a formula that could simply be applied, with no problems. He said that the formula was a guideline, but because of the individual problems within the individual units, there would always be violations of the formula.

Mr. Alex Capdeville, Helena Vo-Tech., spoke. In 1981 Helena was at the top of the cap; this time they are at the bottom, and he felt this was reasonable in both instances. He was not sure the formula was perfect; as long as there were individual differences in the districts it would be hard to put a formula into the Vo-Tech. system. For the present, he felt it was reasonable to apply caps.

Rep. Donaldson submitted that the caps couldn't be placed now, and then later pay plan money be put in. He moved that the Committee ask Ms. Joehler to develop an instructional portion that was inflated at 4.5% per year. All personal services needed to be inflated.

The question was called for on Rep. Donaldson's motion; motion carried unanimously. Ms. Joehler agreed to have the figures available by the following morning. Sen. Haffey also wanted a sheet similar to Exhibit "B" which would reflect the changes.

Regarding revenue estimates from the coal tax, Ms. Joehler said that the LFA projected that the 10% that was currently being invested in the educational trust would amount to $618,000, and if it was split with Adult Basic Education it would be half that

amount in 1984 and $365,000 in 1985. Mr. Christiaansen said OPI projected that $435,000 would be split between Adult Basic Education and the Vo-Techs. He said that OPI didn't rework the Coal Tax Oversight Committee's calculation.

The Chairman entertained a motion on revenue projections. (See Exhibit "A," January 25, 1983) Rep. Donaldson moved to use a $165 per quarter tuition figure as a basis; motion carried unanimously.

Millage Revenue. Ms. Joehler said that apparently a slightly higher taxable valuation base was used by the LFA. Mr. Francis Olson, OBPP, said his office took the same millage ratio that they had used previously. Ms. Joehler said that in 1981, 8% had been allowed for delinquent and protested tax revenue, and the LFA had not included this provision in its current level formula. The $1,765,154 LFA estimate assumes no delinquency. She said that although there were some collections over the estimated amounts, it might be reasonable to include a percentage allowance.

Mr. Tom Crosser, OBPP, pointed out that there may be some problem with Butte because in the second year of the biennium the valuation will be affected by the closure of the mining operation.

Sen. Haffey moved acceptance of the OBPP figure of $1,644,930. Motion carried unanimously.

Federal Funds revenue. Mr. Christiaansen stated that allocation tables were being developed at present in Washington, D.C.

Rep. Donaldson moved the OPI funding of $1,128,532 each year; motion carried unanimously.

Coal Tax revenue. Discussion took place regarding House Bill 105. Sen. Haffey said that if that bill didn't pass, the general fund allocation would have to be increased. He moved the OPI estimate, contingent upon passage of HB 105; motion carried unanimously.

Ms. Joehler wanted to know if the Committee wanted the coal tax funds distributed as OPI had indicated. Mr. Christiaansen said that when he originally appeared before the Coal Tax Oversight Committee, he said that the money would be allocated to new projects and equipment.

The Committee took a five-minute recess.

OPI's Gifted and Talented Program was then considered. $200,000 for the biennium was moved; motion carried unanimously.

Traffic and Safety Education was voted on. Mr. Nichols recommended that the Committee just appropriate all the funds that were

received: this is what had been done in the past. Sen. Haffey so moved; motion carried unanimously.

School Lunch Program. Mr. Nichols said that what had been done in the past was an appropriation was made to cover the State's matching share for federal funds. The federal match was revised (decreased) in 1982 and the State's matching requirement fell. Sen. Haffey moved approval of the OPI request for $1 million per year.

Mr. Nichols explained that food packages were put together with the extra money. It is just a subsidy on the cost of the food. They can sell it for less than they paid for it. It would amount to about a 3¢ per meal subsidy for all lunches. This is above the federal requirement. Sen. Haffey said there was a risk, without some effort like this on the part of the State, with declining federal funds, that the price of the meals would go up, and there wouldn't be anything available for those who needed it.

The question was called for; motion failed on a tie vote, with Reps. Donaldson, Ernst, and Sen. Hammond opposed. Rep. Donaldson then moved the LFA recommendation. He said he had problems subsidizing those people who were paying full price. The question was called for; motion failed on a tie vote with Reps. Bengtson and Peck and Sen. Haffey opposed. There was general agreement to reconsider the action at a later time.

Sen. Haffey submitted that it was OPI's position that it was important for the State, now that federal funding was declining, as a matter of responsibility for the nutrition requirements of the students, to participate to this extent.

In response to Rep. Peck, Mr. Nichols said this would be the first time the State would be going beyond its matching requirement. Sen. Haffey said that if the State did not increase its funding, the charge applied to partial payers would go up. The extent to which this happens will cause some districts to experience a reduction or a loss of the program. Rep. Bengtson pointed out that there was an appreciable decrease in participation in the past year because of the increase in school lunch costs. Sen. Haffey said it wasn't necessarily true for the Committee members to conclude that the paid lunches would be held down 3¢ per meal, with increased State funding. Mr. Nichols said the extra money allowed OPI to put together food packages and save anyone who participates in the package about 3¢ per meal.

Secondary Vocational Education was discussed. Rep. Peck questioned whether the money was available, realistically, to meet OPI's recommended level. Sen. Haffey questioned whether the need

was there, either. He submitted that the people at the hearing presented pretty good support for the program needing more than $750,000 per year. Discussion took place regarding the meaning of current level. Rep. Peck submitted that enrollment in the secondary vocational education programs hadn't gone up significantly. Rep. Bengtson pointed out that increased funding of the foundation program led to increased funding for the vocational educational programs, also.

The Committee reviewed the Transportation budget for OPI. Mr. Nichols referred the members to P. 615 of the LFA Narrative. Rep. Donaldson moved to use the 2¢ as the variable rate for buses over 50 capacity. The impact would be about a $75,000 per year reduction. The base rate would have to be raised. Discussion. Mr. Nichols explained that under the present conditions, relative to the cost, the larger buses were being compensated more closely to the actual cost. If the rate is lowered, then the large and small buses will be equally off. The entire schedule would then need to be increased. Sen. Haffey said the OPI recommendation was intended to meet the State's 1/3 requirement.

Mr. Nichols said he had talked to Bob Stockton, and he was working to get a bill in to raise the schedule.

The question was called for on the motion; motion carried unanimously.

Discussion then took place regarding what it would take to get the State up to the 1/3 level on reimbursement. Mr. Nichols said that the rates of $.99 and $1.05 would be sufficient. Sen. Haffey wanted to know if the OPI recommendation would reflect those rates and Rep. Donaldson's motion. Mr. Nichols said from his point of view it wouldn't, because the LFA doesn't project an increase in the mileage. Mr. Bob Stockton said that OPI had used a "worst case" scenario. He added that consolidation always brought about an increase in transportation, and there were several bills before the Legislature making it easier for consolidation. He pointed out that no bill had been introduced to change the mileage rates. A bill hadn't been drafted because it was his understanding that the Interim Finance Committee would have a Committee bill.

Chairman Bengtson asked Mr. Nichols to go to the Legislative Council and ask for a Committee bill to address the need for a change in the mileage rates. Sen. Haffey suggested that the levels be set at $.99 and $1.05, with a 2¢ variable. Mr. Stockton said that the LFA mileage estimate was probably the best one. Rep. Peck expressed concern regarding increasing the rate by 30-plus cents, in light of the pending gas tax increase and other legislation which could impact the cost to the State. Sen. Haffey rose in support of

having a Committee bill drafted. The Chairman called for the question on a motion to have a bill drafted; motion carried with Rep. Ernst opposed.

Mr. Nichols presented the Committee with two documents from the Legislative Finance Committee relating to Public School Transportation; see Exhibits "D" and "E."

The meeting was adjourned at 10:30 a.m.

Esther G Bengtson Chm

Rep. Esther G. Bengtson - Chairman

DA

VISITORS' REGISTER

HOUSE Education Sub COMMITTEE

BILL work session

Date 1/29/83

SPONSOR

NAME	RESIDENCE	REPRESENTING	SUPPORT	OPPOSE
[illegible] Christiaansen	Helena	OPI	X	
[illegible]	Great Falls	[illegible]	X	
[illegible]	[illegible]		X	
[illegible]	Helena	Helena Vo Tech		
[illegible]	Missoula	Missoula Vo Tech		
[illegible]	Missoula	Missoula Vo Tech Center	✓	
R.E. [illegible]	Billings	Billings [illegible]	✓	
Roger Eble	Helena	Helena S.D. #1	✓	
[illegible]	Helena	Helena Vo Tech	✓	
[illegible]	[illegible]	[illegible]	✓	
[illegible]	[illegible]	[illegible]	✓	
Tom [illegible]	OBPP Helena	[illegible]		
Lee Purdy	Bozeman	ASMSU		

IF YOU CARE TO WRITE COMMENTS, ASK SECRETARY FOR LONGER FORM.

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Form CS-33
1-81

EXHIBIT A
Educ. Jurisdiction
1/25/83

Support Staff Changes - Billings

	FY82 Actual	Staff Standards	Difference
Director	[illegible]	1.0	
Assistant Director	[illegible]	1.0	
Business Mgr / Chief Accountant		1.0	1.0
Data Processing programmer / operator			
Counselors (1:300 students)	[illegible]	1.75	[illegible]
Librarian/Media Specialist		1.0	[illegible]
Head Custodian		1.0	1.0
Custodian Staff (1:35,000 sq ft)	[illegible]	0.5	[illegible]
Administrative Secretary	1.0	1.0	
Receptionist			
Clerical Support			
Administration (1:3)	1.0	[illegible]	[illegible]
Support (1:5)	2.0	[illegible]	[illegible]
Instruction (1:10)	0	[illegible]	[illegible]
Other:			
[illegible]	1.0		(1.0)
Total Support Staff	[illegible]	[illegible]	[illegible]

Support Staff Changes

	FY82 Actual	Staff Standards	Difference
Director	1.0	1.0	
Assistant Director	1.0	1.0	
Business Mgr / Chief Accountant		1.0	1.0
Data Processing programmer / operator			
Counselors (1:300 students)	3.0	1.0	2.0
Librarian / Media Specialist		1.0	1.0
Head Custodian	1	1.0	1.0
Custodian Staff (1:35,000 sq ft)	2.0	5	1.0
Administrative Secretary		1.0	1.0
Receptionist			
Clerical Support			
Administration (1:3)	1.0	.65	.35
Support (1:5)	2.0	1.33	.67
Instruction (1:10)	1.0	2.25	1.25
Other:			
2.0	1.0		1.0
—	.5		.25
Total Support Staff	4.5	2.25	1.42

Support Staff Changes

FY82 Staff

	Actual	Standards	Difference
Director			
Assistant Director			
Business Mgr / Chief Accountant			
Data Processing programmer / operator			
Counselors (1:300 students)			
Librarian/Media Specialist			
Head Custodian			
Custodian Staff (1:35,000 sq ft)			
Administrative Secretary			
Receptionist			
Clerical Support			
Administration (1:3)			
Support (1:5)			
Instruction (1:10)			
Other:			
Total Support Staff			

Support Staff Changes

	FY82 Actual	Staff Standards	Difference
Director	1.0	1.0	
Assistant Director	1.0	1.0	
Business Mgr / Chief Accountant	.5	1.0	.5
Data Processing programmer / operator			
Counselors (1:300 students)	1.1	2.25	.85
Librarian/Media Specialist		1.0	1.0
Head Custodian		1.0	1.0
Custodian Staff (1:35,000 sq ft)	4.0	3.25	.75
Administrative Secretary	1.0	1.0	
Receptionist			
Clerical Support			
Administration (1:3)	.43	.67	.24
Support (1:5)	.1	.90	.80
Instruction (1:10)	4.5	3.10	1.4
Other:			
[illegible]	.5		.5
Total Support Staff		17.87	(.57)

Support Staff Changes

	FY82 Actual	Staff Standards	Difference
Director	.5	1.0	
Assistant Director	1.0	1.0	
Business Mgr / Chief Accountant	-	1.0	
Data Processing programmer / operator	1.0		1.0
Counselors (1:300 students)	2.4	1.8	.6
Librarian/Media Specialist	.6	1.0	.4
Head Custodian	1.0	1.0	
Custodian Staff (1:35,000 sq ft)	3.0	4.0	1.0
Administrative Secretary	.5	1.0	.5
Receptionist			
Clerical Support			
Administration (1:3)		.6	.6
Support (1:5)	2.0	2.0	
Instruction (1:10)	.4	.4	.0
Other :			
[illegible]	1.0		1.0
[illegible]	1.0		1.0
Total Support Staff	23.4	18.2	6.69

Implementation of [illegible] - Current [illegible]

EXHIBIT "B"
Educ. Subcomm.
1/28/83

	1	2	3	4	5	6
		FORMULA			FORMULA W/CAPS	
	83 approp	84	85		84	85
Billings	1424837 (7.8)	1536319 (4.9)	1612076	1424837	1536319 7.8%	1613135 5%
Butte	[illegible]494 (13.0)	1037907	1072554	1192494 (14.3)	1252119 5%	1314725 5%
[illegible]	1327783 (14.1)	1514722	1563478	1327783 7.0	1460961 10%	1563478 7.0
[illegible]	[illegible]505 (1.5)	2056216	2133154	[illegible] -2.5	2127830 5%	2234222 5%
Missoula	[illegible] (7.0)	1886172	1964963	[illegible] (7.1)	2175913	[illegible]
Total		[illegible]	[illegible]		[illegible]	[illegible]
		[illegible]	[illegible]		87[illegible]	[illegible]
		[illegible]	[illegible]		[illegible]	[illegible]
		$16,464,[illegible]			$17,[illegible]	

BILLINGS MAJOR EQUIPMENT LIST

Department	Quantity	FY 1984	FY 1985
Auto Body Repair			
Frame Alignment Rack (Dedicated System)	1	$35,000	
Frame Alignment Gages (Laser Beam)	1		$16,000
Auto Mechanics			
Armature Lathe (Jet Model 1236P)	1	2,560	
Infra-Red (Marquette Model 42-092)	1	4,213	
Valve Refacer, (Black & Decker Model 6305-A)	1	1,875	
Glass Bead Machine (Model 665-381)	1	2,500	
Hoist (Weaver, Model AFH-T90) + Installation, 9000 lb. capacity	1		5,055
Oscilloscope (Marquette, (Model 40-800)	1		7,107
Secretarial			
Electronic Typewriters, IBM model 75 ($1,716 each)	2		3,432
TRS Word Processors, Model #3 ($5,000 each)	4		20,000
Combination Welding			
Welding Machines, 250 AMP Mig ($2,700 each)	2	5,400	
Bug O Line Burner	1	1,200	
Welding Machine, 250 AMp, Mig	1		3,000
Heath Pattern Cutter	1		1,500
Linconln Submerged Arc Feed Unit	1		1,100
Diesel Mechanics			
Detroit Diesel Engines, ($4,100 each)	3	12,300	
Detroit Diesel Engines, ($4,100 each)	3		12,300

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HELENA MAJOR EQUIPMENT LIST

Department	Quantity	FY 1984	FY 1985
Agri-Diesel Mechanics			
Diesel Pump Test Stand	1	$20,000	
Drill Press	1		$ 1,500
Dynamometer - PTO			12,000
Hot Tank	1	3,500	
Pressure Washer	1		2,800
Valve Refacer	1	2,400	
Aircraft			
Magna Flux Machine	1	8,000	
Generator Run-up Stand	1		8,500
Heavy Duty Drill Press	1		2,000
Donable T35 Engines	3	5,000	5,000
Auto Mechanics			
Tune-Up Scope	1		8,000
Building Trades			
Table Saw, Tilting Arbor 12"	2		2,000
1/2 Ton Used Pickup	1		2,500
Used 48-Passenger Bus	1	4,000	
Data Processing			
IBM System 34		20,868	
Terminals - System 34		5,000	8,000
Electronics			
Tektronix 2100 Scoper	12	13,200	
Two-Way Radio Monitors	4		36,000
Digital Inst. Trainer	1	12,000	
Spectrum Analyzer	1	15,000	
Tape Player Unite (Stereo)	1	2,000	
Machine Shop			
Gearhead Lathes	5	45,000	30,000
Secretarial			
Printer	1	6,000	
Terminals	4	8,000	8,000
Truck-Diesel Mechanics			
Engine Dynamometer	1	31,000	
Rear Axle, Timken	1		3,000
Detroit Diesel Engines 6-71			7,500
Welding			
MIG Welders	2	2,500	2,500
Drill Press	1	1,500	

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GREAT FALLS MAJOR EQUIPMENT LIST

Department	Quantity	FY 1984	FY 1985
Student Services			
Computer Printer	1	$ 7,000	
Plant Operation			
Ford-type Tractor with Small front-end Bucket & Weed Cutter	1	17,000	
Truck with Snow plow	1	28,000	
Underground Sprinkler System for Primary lawn			$15,000
Support and Supervision			
Display Writer (Typewriter)	1	10,000	
Electronic Typewriter	1	2,500	
Media Center (Library)			
Additional Book Shelving		4,000	
Replacement of Projectors		1,000	
Mid-Management			
Microcomputers ($3,000 each)	10	30,000	
Practical Nurse			
Replacement Hospital Bed	1	2,000	
Replacement Hospital Bed	1		2,000
Data Entry			
Terminals for IBM 34	2	5,500	
Disk Storage for IBM 34	1	4,500	
Additional Core for IBM 34		2,500	
Printer for IBM 34			5,100
Secretarial			
Electronic Typewriters ($2,000 each)	10	20,000	
Replacement of Old Typewriters	10		20,000
Word Processing			
Optical Character Scanner	1	10,000	
Auto Body			
Auto Body Portable Spray Booth		4,000	
Wire Feed Welder			2,000
Auto Body Related Welding & Front End			
Smokeater Exhaust System for Welding Booths		30,000	
Cut off Saw	1	2,500	
Anvil	1	1,000	

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Auto Body (Cont.)			
Ironworker for Bending Metal	1	$ 4,000	
Mig Welders	4	6,000	
Mig Welders	1		$ 1,500
Alignment Attachements for Existing Bear Machines to Work on Front Wheel Drive Cars	2	26,000	
Brake Drum Lathe	1	9,000	
Hydraulic Press	1		2,500
Brake Drum Grinder	1		1,000
Watchmaking			
Quartz Timer Machine	1	1,500	

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MISSOULA MAJOR EQUIPMENT LIST

Department	Quantity	FY 1984	FY 1985
Director's Office			
Computer Terminal			$ 1,800
Business Office			
Computer Terminal		$ 1,800	
Plant Operation & Maintenance			
Replace Mower			6,000
Automobile		8,000	
Resource Center			
Copy Center			25,000
Forestry Technology			
Replace 15 Passenger Van		15,000	
Automatic Level			2,000
Theodolite			4,000
Respiratory Therapy Technology			
Therapy Equipment		4,500	4,500
Surgical Technology			
Surgical Equipment		1,250	1,250
Food Service			
Walk In Freezer		15,000	
Accounting/Bookkeeping			
Computer Terminals	3		5,400
Business Data Processing			
Computer Terminals	3	5,400	
Industrial Electronics			
Microprocessors	2	3,500	3,500
Heavy Equipment Maintenance			
Fuel Pump Test Stand		17,000	
Transmissions	2	7,000	7,000
Roosa Master Fuel Pump		1,200	
Heavy Equipment Operation			
Rotate Equipment	2	25,000	25,000
Small Engine Repair			
Replace Mock Ups		2,000	2,000

PDJ:cm:a5

1/28/83
EXHIBIT D

STATE OF MONTANA

Office of the Legislative Fiscal Analyst

STATE CAPITOL
HELENA, MONTANA 59620
406/449-2986

JUDY RIPPINGALE
LEGISLATIVE FISCAL ANALYST

March 17, 1982

TO: Legislative Finance Committee

FROM: Bruce Shively, Assistant Fiscal Analyst BLS
Curtis M. Nichols, Senior Fiscal Analyst CMN

SUBJECT: Public School Transportation

This study examines the present method of funding public school transportation. The basic reason for this review is the increasing impact of public school transportation on the state general fund. In fiscal 1981, public school transportation required a supplemental appropriation of $505,000. For the current biennium, public school transportation will cost the state general fund approximately $10 million dollars.

Table 1 shows the general fund expenditure for public school transportation since the 1979 biennium.

Table 1
General Fund Expenditures for
Public School Transportation
1979 - 1983 Biennium

1979 Biennium Actual	% Increase	1981 Biennium Actual	% Increase	1983 Biennium Appropriated
$6,016,213	29.7	$7,802,029	24.9	$9,743,695

This study is intended to familiarize the committee with the basic operation and funding of public school transportation. In particular, this study addresses:

1. The extent to which the reimbursement schedule covers the reimbursable expenses incurred by the districts.

2. The incentives in the reimbursement schedule.

3. The cost and effect of repealing the 75 percent load requirement.

4. The transportation of ineligible transportees at state and county expense.

This study also reviews the three-mile eligibility requirement which limits state and county reimbursement to students living three or more miles from school.

Types of Public School Transportation

The two types of public school transportation are school bus transportation and individual transportation.

The principal means of public school transportation is the school bus. There are over 1,400 school buses in operation daily carrying elementary, secondary, and special education pupils to and from schools. In fiscal 1981 school buses traveled more than 16 million miles and transported more than 50,000 children.

Individual transportation consists of paying the parent or guardian to drive the pupil(s) to school or to bus stops, reimbursing the parent or guardian for the pupil(s) room and board, or providing supervised correspondence or home study. In fiscal 1981, there were approximately 3,000 contracts for individual transportation.

Eligibility Requirements

In order to be eligible for state and county reimbursed transportation state law 20-10-101(2) MCA, requires that a child must be:

1. A resident of Montana between the ages of five and 21 years old.

2. Attend a public school.

3. Reside at least three miles from the nearest operating public elementary school or high school, whichever is applicable.

4. Be deemed by law to reside with parent or guardian who maintains legal residence within the boundaries of the district furnishing the transportation regardless of where the child actually lives when attending school.

Table 2 compares the total number of pupils eligible for state and county reimbursed transportation to total public school enrollment.

Table 2
Comparison of Eligible Transportees to
Total Public School Enrollment
1978 - 1982

	1978	1979	1980	1981	1982
Total Public School Enrollment	168,730	164,326	158,208	155,193	153,435
Total Eligible Transportees	47,898	47,852	47,094	48,053	46,726
Percent of Total Enrollment Eligible	28.4	29.1	29.8	31.0	30.5

The number of eligible transportees has remained fairly constant despite a steady decline in total public school enrollment. Approximately 30 percent of Montana total public school enrollment are eligible transportees.

Districts may also provide transportation to students who are not eligible for state and county reimbursement. These ineligible transportees

include students who reside less than three miles from school, or students who attend private schools. Districts may transport ineligible transportees on buses carrying eligible transportees as long as the ineligible transportee will not displace an eligible transportee because of lack of seating capacity. Similarly, the law permits districts to operate buses for the sole purpose of providing transportation for ineligible transportees.

The number of ineligible transportees has increased from 8,504 in fiscal 1979 to an estimated 10,622 in fiscal 1982. Ineligible transportees will represent approximately 20 percent of the pupils transported during the current fiscal year. In fiscal 1982, approximately 6,800 ineligible transportees will be transported at state and county expense.

Public School Transportation Reimbursement Rates

Public school transportation funding is, in large part, the product of reimbursement schedules set by the Legislature. The reimbursement schedule for bus transportation allows a flat rate per bus mile for buses with rated capacities of not less than 12 or more than 50 seats. Buses with rated capacities exceeding 50 are reimbursed the basic rate per bus mile, plus an additional amount for each seat over 50. Figure 1 shows the reimbursement rate calculation for a 66 passenger bus in fiscal 1981.

Figure 1
66 Passenger Bus Reimbursement
Fiscal Year 1981

1.	Basic Reimbursement Rate per Bus Mile	$.55	
2.	Additional Reimbursement Due to Rated Capacity	.32	(16 seats x 2 cents)
3.	Total Reimbursement per Bus Mile	$.87	

The total reimbursement per bus mile is multiplied by the number of bus miles to determine total reimbursement.

Table 3 shows the per mile reimbursement rates for 48, 66, and 88 passenger buses since fiscal 1979.

Table 3
Per Mile Reimbursement Rate for
48, 68, 88 Passenger Buses
Fiscal Years 1979 - 1983

	Reimbursement Rates				
Bus Size	1979	1980	1981	1982	1983
48	.45	.50	.55	.60	.65
66	.77	.82	.87	1.00	1.05
88	1.21	1.26	1.31	1.55	1.60

In fiscal 1981, a parent or guardian providing individual transportation was reimbursed at a rate of 18 cents per mile. In cases of excessive distance, impassible roads, or other circumstances of isolation, the parent or guardian may request an increase in the reimbursement rate. The increased rate due to isolation is 1½ times the schedule rate. The fiscal 1982 schedule rate for individual transportation has been increased to 20 cents per mile. The parent or guardian is compensated for one round trip per day. Individual transportation claims totaled $749,762 in fiscal 1981 of which the state paid $274,470. Individual transportation claims represent approximately 4 percent of the total transportation expenditures.

Cost Allocation

Public school transportation funding is shared by the state, counties, and local school districts. The method of allocating the cost of public school transportation among the basic revenue sources is set forth in section 20-10-144, through 20-10-146, MCA. According to the law:

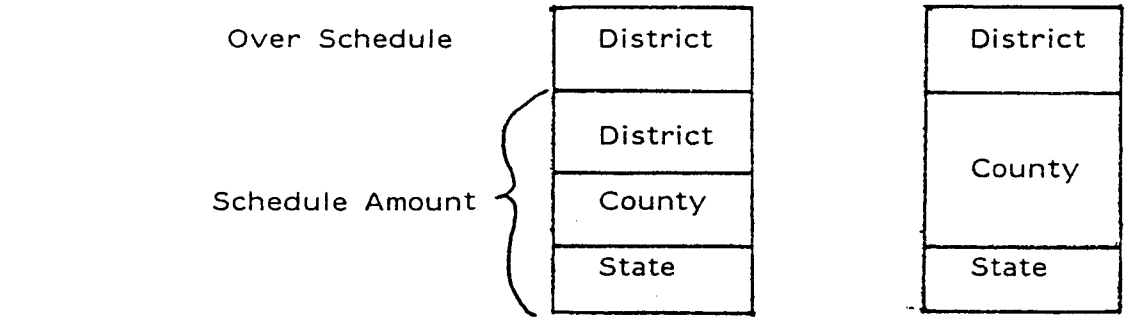
1. The state pays one-third of the schedule amount for both elementary and high school districts.

2. The county pays one-third of the schedule amount for elementary districts and two-thirds of the schedule amount for high school districts.

3. The district pays one-third of the schedule amount for elementary districts and any "over-schedule" costs for both elementary and high school districts.

This method of allocating cost among the basic revenue sources is illustrated in Figure 2 below.

Figure 2
Public School Transportation - Cost Allocation*



*For special education, the state pays two-thirds of the schedule amount, the county pays one-third, and the district pays any over-schedule costs.

Financing

The state finances its share of the schedule amount from the state general fund. County reimbursement for elementary districts is financed from the elementary share of the 40 mill levy. County reimbursement for high school districts is funded by a county mill levy for high school transportation.

As noted, the county share of elementary district transportation is financed from the elementary share of the 40 mill levy proceeds. Revenues from the source are also used to determine the amount of state equalization aid a county will receive as part of the elementary district foundation program. Increased elementary district transportation expenditures do not affect the county, because the elementary share of the 40 mill levy remains constant. Increased county elementary district transportation expenditures affect the state, because these expenditures will either reduce surplus county revenue paid to the state, or increase the amount of state equalization aid paid to the county.

The district share for elementary districts plus any over-schedule costs for both elementary and high school districts are funded from district property taxes. Table 4 shows that there is a disparity among districts in terms of the number mills levied to support public school transportation.

Table 4
Number of Mills Levied to Support Public School Transportation, Selected Elementary Districts
Fiscal Year 1982

	County	District Number	Total Mills Levied
1.	Rosebud	19	2.72
2.	Musselshell	9	3.84
3.	Lake	33	7.90
4.	Choteau	1	11.34
5.	Beaverhead	7	20.52
6.	Gallatin	1	28.38
7.	Ravalli	13	38.50
8.	Mineral	3	43.79

The difference in the number of mills levied to support public school transportation is due to several factors including: disparity in district property wealth, over-schedule costs, and discretionary transportation.

ISSUES

This section of the report presents four issues relating to public school transportation funding. They are:

1. The extent to which the reimbursement schedule pays the reimbursable expenses incurred by the districts.
2. The incentives in the reiumbursement schedule.
3. The cost and effect of repealing the 75 percent load requirement.
4. The transportation of ineligible transportees at state and county expense.

In order to make the study more manageable, we surveyed 12 elementary and high school districts located in counties represented by the members of the Legislative Finance Committee. We believe that the sample districts are representative of the state as a whole, and that the data generated from the survey accurately reflects the status of public school transportation in Montana.

Reimbursement Schedule vs. Reimbursable Expenses

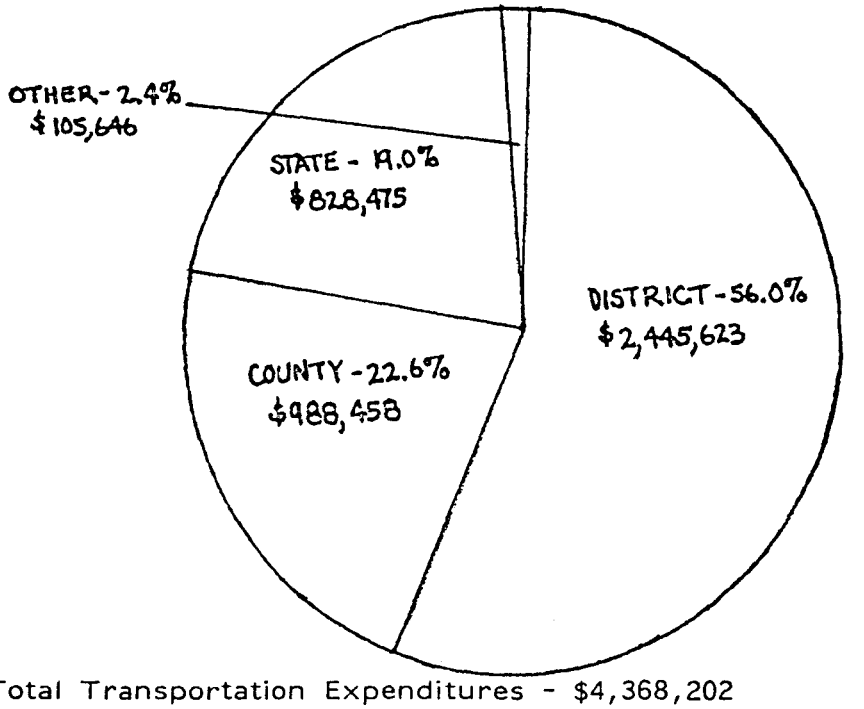
A district transportation budget may include expenditures relating to:

1. Home-to-school transportation of eligible transportees.
2. Under three-mile transportation, (buses operated entirely under the three-mile limit carrying only ineligible transportees).
3. Programmatic transportation (intra-district transportation for instructional purposes).

Athletic and other extracurricular transportation costs are expenses of the districts' general fund budget.

Figure 3 shows the distribution of total transportation costs between the state, counties, and districts which we surveyed for fiscal 1981.

Figure 3
Distribution of Total Transportation Costs
State, County, and Districts
Fiscal 1981



Total Transportation Expenditures - $4,368,202

The reimbursement schedule only reimburses districts for expenses directly relating to the provision of home-to-school transportation. These reimbursable expenses include salaries, maintenance and operation, insurance and other expenses, payments to private contractors, payments to other districts, individual transportation claims, contingency item, and capital outlay. Under three mile transporation and programmatic transportation are operated at the discretion and expense of the district.

In fiscal 1981, the reimbursement schedule covered approximately two-thirds of the reimbursable expenses incurred by the districts surveyed as illustrated in Table 5.

Table 5
Reimbursable Expenses, Schedule Reimbursement, and Percent of Expenses Reimbursed by Schedule for Selected Districts
Fiscal 1981

County	District	Reimbursable Expenses	Schedule Reimbursement	% of Cost Reimbursement
Big Horn	1+17H	$ 242,212	$ 210,104	86.7
Blaine	12	91,522	66,847	73.0
Cascade	1+A	592,499	331,352	55.9
Deer Lodge	10	308,488	171,566	55.6
Jefferson	1	118,975	78,556	66.0
Lewis and Clark	1	275,266	139,023	50.5
Missoula	1+MCHS	531,893	312,241	58.7
Sanders	1	49,648	27,761	55.9
Sheridan	7	103,253	78,497	76.0
Toole	14	88,998	54,218	60.9
Yellowstone	2	753,290	598,310	79.4
Yellowstone	37	116,478	61,173	52.5
Total		$3,272,522	$2,129,648	65.1

The disparity between the amount of reimbursement and the reimbursable expenses are referred to as over-schedule costs. These costs are paid entirely by the districts. As table 5 shows, one-third of the reimbursable expenses are not covered by the schedule.

The extent to which districts incur over-schedule costs is not uniform. Since each district either contracts or operates its own transportation program, costs vary for each district. Districts with higher costs incur higher over-schedule amounts. Several of the districts surveyed contract with private contractors for bus service. As Table 6 shows, the contract

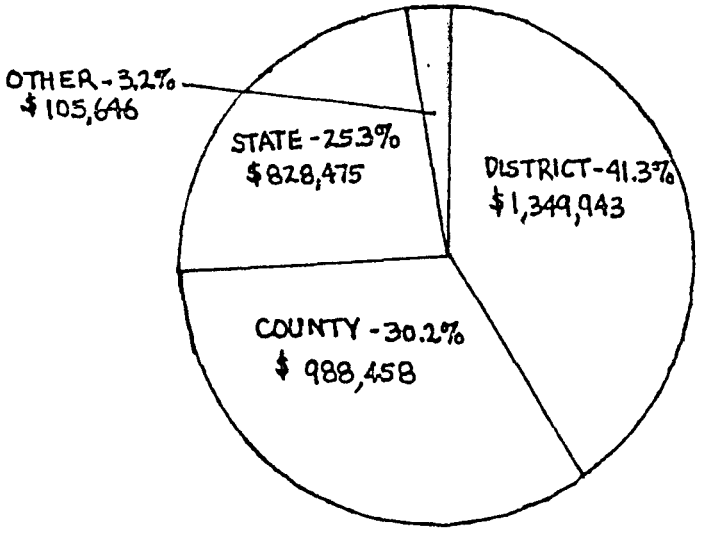
rate per mile varies widely, resulting in greater or lesser over-schedule costs.

Table 6
Contract Rate for 66 Passenger Bus
Fiscal 1981

County	District	Contract Rate/Mile	Reimbursable Rate	Over Schedule Cost Per/Mile
Big Horn	1+17H	$ .90	$.87	$.03
Yellowstone	2	1.22	.87	.35
Cascade	1+A	1.29	.87	.42
Lewis and Clark	1	1.54	.87	.67
Deer Lodge	10	1.63	.87	.76

Although the extent to which districts incur over-schedule costs varies the districts generally fund the largest portion of the cost of providing home-to-school transportation. Figure 4 shows the distribution of reimbursable costs between the state, counties, and districts for fiscal 1981.

Figure 4
Distribution of Reimbursable Public School Transportation Costs
State, Counties, and Districts
Fiscal 1981



Total Reimbursable Expenses - $3,272,522

The state pays one-third of the reimbursement schedule set by the Legislature. However, since the reimbursement schedule does not fully compensate districts for the cost of providing home-to-school transportation, the state pays approximately one-fourth of reimbursable transportation expenses incurred by the districts.

Structure of the Schedules

The public school transportation reimbursement schedule pays a flat rate per bus mile for buses with rated capacities of not less than 12 or more than 50 seats. The schedule also pays an additional amount per bus mile (2 cents in fiscal 1981 and 2.5 cents in fiscal 1982) for every seat in the rated capacity over 50. This type of graduated reimbursement schedule attempts to offset the increased cost of operating larger buses.

Table 7 shows the average cost and reimbursement per bus mile, by rated capacity, for fiscal 1981. The rated capacities shown in Table 7 represent approximately 80 percent of the school buses operating in the state.

Table 7
Comparison of Average Cost Per Mile and
Reimbursement Rate, by Rated Capacity
Fiscal 1981

Rated Capacity	16	36	48	54	60	66	72	78	% Increase
Average Cost/Mile	$.80	$.84	$.84	$1.00	$1.19	$1.28	$1.29	$1.30	62.5
Reim. Rate/Mile	.55	.55	.55	.63	.75	.87	.99	1.11	101.8

Table 7 shows that the reimbursement schedule increases faster than the cost of operation. Reimbursement per mile increases 102 percent while the operating cost per mile increases 63 percent. As a result, the schedule

generally reimburses a greater percentage of the cost of operating larger buses. On average, the schedule reimburses approximately 66 percent of the cost of operating a 48 passenger bus and 77 percent of the cost of operating a 72 passenger bus.

Table 7 also shows that rated capacity is a poor indicator of cost, except in the most aggregate terms (big buses cost more to operate than do small buses). The cost of operating a 60 passenger bus is approximately 42 percent greater than the cost of operating a 48 passenger bus; however, the cost differential between a 60, 66, 72 and 78 passenger bus is less than 10 percent.

Although the cost of operating larger buses remains fairly constant, the reimbursement schedule pays an increasing rate of reimbursement for every seat in the rated capacity over 50. This inconsistency between the reimbursement schedule and the cost of operating larger buses results in rather substantial reimbursement increases for relatively minor increases in cost.

Table 8
Comparison of Increase in Cost Per Bus Mile
to Increase in Reimbursement Per Bus Mile
60 Passenger Bus, 78 Passenger Bus

Rated Capacity	60	78	% Increase
Average Cost per Bus Mile	$1.19	$1.30	9.2
Reimbursement per Bus Mile	$ .75	$1.11	48.0

The average cost to operate a 78 passenger is 9.2 percent greater than the cost to operate a 60 passenger bus. However, the rate of reimbursement increases 48.0 percent.

The increase in the reimbursement rate for large buses (60-78 rated capacity) is so disproportionate to the increase in cost that the reimbursement schedule provides an incentive for districts to operate larger more costly buses in order to minimize district expenses.

Table 9
Cost-Reimbursement Comparison
60 and 78 Passenger Buses
Impact in District Levy

Rated Capacity	48	60	72	78
Average Cost/Mile	$.84	$1.19	$1.29	$1.39
Reimbursement/Mile	.55	.75	.99	1.11
Over-Schedule Cost (District Expense)	.29	.44	.30	.19
State Share Reim./Mile	.18	.25	.33	.37
County Share Reim./Mile	.18	.25	.33	.37
District Share Reim./Mile	.18	.25	.33	.37
Total District Cost/Mile (District Share & Over-Schedule)	.47	.69	.63	.56

Table 9 shows that the increase in cost to the district between a 48 passenger bus and the larger capacity buses is sufficient to discourage districts from operating buses larger than 50 simply to take advantage of the increased rate of reimbursement. However, once the number of transportees warrants the use of a bus of 60 or more, the reimbursement rate increases faster than operating costs so on average, it costs the districts less to operate a larger more expensive bus. This diseconomy occurs at the expense of the state and the county whose costs increase as rated capacity increases.

The graduated structure of the reimbursement schedule is inconsistent with actual cost experience. The cost of operating large buses remains fairly constant, however, the rate of reimbursement increases for every

seat in the rated capacity over 50. This inconsistency between the reimbursement increases and the cost increases creates an incentive for districts to operate inefficiently in order to minimize district expense.

Load Requirement

Prior to fiscal 1980, state law required school districts to operate buses carrying eligible transportees equal to 75 percent of the rated capacity of the bus in order to receive maximum reimbursement. Buses running at less than 75 percent operating capacity received a reduced rate of reimbursement. This load requirement was repealed during the 1979 session. A bus currently qualifies for full reimbursement as long as one eligible transportee is listed on the bus passenger roster (T-1 Form).

Table 10 shows the rated capacity, number of eligible transportees, and the percentage of rated capacity occupied by eligible transportees for fiscal 1981 for the sample districts we studied.

Table 10
Rated Capacity, Number of Eligible Transportees,
Percentage of Rated Capacity Occupied by Eligible Transportees
Selected Counties - Fiscal 1981

County	Rated Capacity	# Eligible Transportees	% Rated Capacity Occupied by Eligible Transportees
1. Big Horn	1,377	1,016	73.7
2. Blaine	998	738	74.7
3. Cascade	5,130	3,598	70.7
4. Deer Lodge	1,704	1,036	60.8
5. Jefferson	1,452	923	63.6
6. Lewis and Clark	2,554	1,583	62.0
7. Missoula	6,109	3,820	62.5
8. Sanders	1,186	882	74.3
9. Sheridan	940	423	45.0
10. Toole	490	259	52.9
11. Yellowstone	11,681	5,321	45.6
Total	33,621	19,599	58.3

In the absence of the load requirement, districts received maximum reimbursement per bus mile even though only 58 percent of the available capacity was utilized by eligible transportees. The large amount of excess rated capacity suggests:

1. That the state, counties, and districts spent a substantial amount of tax dollars on empty seats and/or seats occupied by ineligible transportees.

2. Rated capacity does not accurately reflect actual capacity.

The $505,000 supplemental appropriation for public school transportation in fiscal 1981 was primarily a product of eliminating the 75 percent load requirement. The Office of Public Instruction estimates that it paid out approximately $365,000 more than it would have had the 75 percent load requirement not been repealed.

Transportation of Ineligible Transportees

It is the law of the state of Montana that only those children living three or more miles from the nearest operating public elementary school or public high school are eligible for state reimbursed transportation. It is possible, however, for a district to circumvent the three mile limit and shift a portion of the cost of transporting ineligible transportees to the state and county.

Section 20-10-122, MCA authorizes the trustees of any district to provide school bus transportation to any public school pupil who is not an eligible transportee of the district:

1. on a bus operated by the district for the sole purpose of providing transportation for ineligible transportees, or

2. on a school bus carrying eligible transportees when the ineligible transportee will not displace an eligible transportee because of the lack of seating capacity.

In the first instance, the district pays the full cost of providing school bus transportation. However, if a district opts to transport both eligible and ineligible transportees on the same bus, the district will receive state and county reimbursement. This is due to the fact that, as noted above, a bus qualifies for reimbursement as long as at least one eligible transportee is listed on the passenger roster (T-1 Form). A 66 passenger bus carrying 10 eligible transportees and 50 ineligibile transportees receives the same rate of reimbursement per mile as a 66 passenger bus carrying 66 eligible transportees.

Table 11 presents some examples of buses that currently carry large numbers of ineligible transportees and qualify for state and county reimbursement.

Table 11
Eligible, Ineligible Transportees
for Selected Routes for Fiscal 1982

County	Rated Capicity	Eligible Transportees	Ineligible Transp.
Flathead	72	3	47
Gallatin	78	14	59
Lake	66	6	40
Missoula	72	5	33
Park	88	27	61
Powell	72	9	40
Ravalli	72	1	59
Richland	77	7	70
Yellowstone	77	2	66

In fiscal 1982, approximately 6,800 ineligible transportees will be transported at state and county expense.

ALTERING THE THREE-MILE LIMIT

For the past several sessions, legislation has been introduced to alter the three-mile limit. This portion of the report attempts to illustrate the

cost of altering the three-mile eligibility limit. For purposes of the analysis, we assumed a reduction in the eligibility requirement from three miles to two miles. Time constraints and staff limitation necessitated something less than a statewide examination. Consequently, Helena School District 1 was used as the basis for all cost calculations.

Reducing the three mile limit to two miles would probably have some impact on virtually every district in the state. However, lowering the three mile limit could be expected to most significantly affect those districts located in or near more densely populated urban areas. Similarly, the number and distribution of schools within a district would determine the extent to which a district is impacted by a reduction in the three-mile limit.

In Helena, the impact of reducing the three-mile limit would be confined to the high schools, junior high schools, and those elementary schools serving outlying population centers. Lowering the three mile limit would probably result in the addition of nine bus routes to serve newly eligible transportees. The number of additional bus routes that would be required by a reduction in the three-mile limit was determined by the Helena School District Transportation Supervisor. This process included reducing current limit boundaries to two miles and estimating the number of newly eligible transportees.

Based on a contract rate of $1.66 per bus mile, the total cost of lowering the three-mile limit would be approximately $50,000 for fiscal 1982. See Table 12. This represents a 12.0 percent increase in the total 1982 transportation fund budget.

Table 12
Cost of Lowering Three-Mile Limit by
Route, Helena School District 1
Fiscal Year 1982

School	Route	Rated Capacity	Number Bus Miles Daily	x	Days Operated	=	Total Bus Miles Annually	x	Contract Rate/ /Mile	=	Total Cost
Capital High	North	66	23.6		180		4,248		1.66		$ 7,052
	South	66	15.4		180		2,772		1.66		4,602
Helena High/											
Helena Senior High	East	66	20.4		180		3,672		1.66		6,096
	South	66	15.3		180		2,754		1.66		4,572
C.R. Anderson	North	66	11.8		180		2,124		1.66		3,526
Lincoln School	North	66	13.4		180		2,412		1.66		4,004
Four Georgians	North	66	14.-		180		2,520		1.66		4,183
Rossiter School	North	66	28.8		180		5,184		1.66		8,605
	West	66	20.4		180		3,672		1.66		6,096
Totals			163.1		180		29,358		1.66		$48,736

The reimbursement schedule would generate $29,358 (29,358 miles x 1.00 per bus mile) or 60.2 percent of the cost of lowering the three-mile limit. Table 13 shows the distribution of the cost of reducing the three-mile limit between the state, Lewis and Clark county, and School District 1.

Table 13
Distribution of the Cost of Lowering
Three-Mile Limit, by revenue Source
Fiscal Year 1982

	----------Schedule----------			--Over-Schedule--
Total Cost	State Share	County Share	District Share	District
$48,736	$9,776	$13,787	$5,795	$19,378

Lowering the three-mile limit would increase the state share 15.6 percent, the county share 12.6 percent, and the district share 11.5 percent from currently budgeted levels. The state would also experience increased costs to the extent added county costs of elementary transportation were taken from proceeds of the 40 mill levy (see explanation on page 7).

Admittedly, the information presented here is not conclusive. It does suggest, however, that lowering the three-mile limit to two miles may not significantly increase costs to the state, counties, or the districts.

CONCLUSIONS

1. The reimbursement schedule does not fully compensate most districts for the cost of providing home-to-school transportation.

For fiscal 1981, the reimbursement schedule covered approximately two-thirds of the reimbursable transportion expenses incurred by the 12 districts examined. The large proportion of over-schedule costs are paid entirely by the district. Although the extent to which districts incur over-schedule costs varies, the districts generally fund the largest portion of the cost of providing home-to-school transportation. State general fund reimbursement finances approximately one-fourth of the reimbursable transportation expenses incurred by the districts.

2. The present method of funding public school transportation needs to be restructured.

The graduated reimbursement schedule is inconsistent with actual cost experience. The cost of operating large buses remains fairly constant; however, the rate of reimbursement increases for every seat in the rated capacity over 50. The increase in the reimbursement rate for larger buses (60-78 rated capacity) is so disproportionate to cost that there is an

incentive to operate larger, more costly buses in order to minimize district expense.

One modification the committee might consider would be to reimburse large buses at a single flat rate per bus mile similar to the way buses with rated capacities less than 50 are currently reimbursed. This modification would create two rates of reimbursement: one rate for small buses, and one rate for large buses.

A flat rate of reimbursement for large buses (over 60 rated capacity) appears to be more consistent with actual costs than does the graduated reimbursement schedule. Figure 5 compares cost and reimbursement per bus mile for 60, 66, 72, and 78 passenger buses for fiscal 1981.

Figure 5
Cost and Reimbursement Per Bus Mile
60, 66, 72, 78 Passenger Buses
Fiscal Year 1981

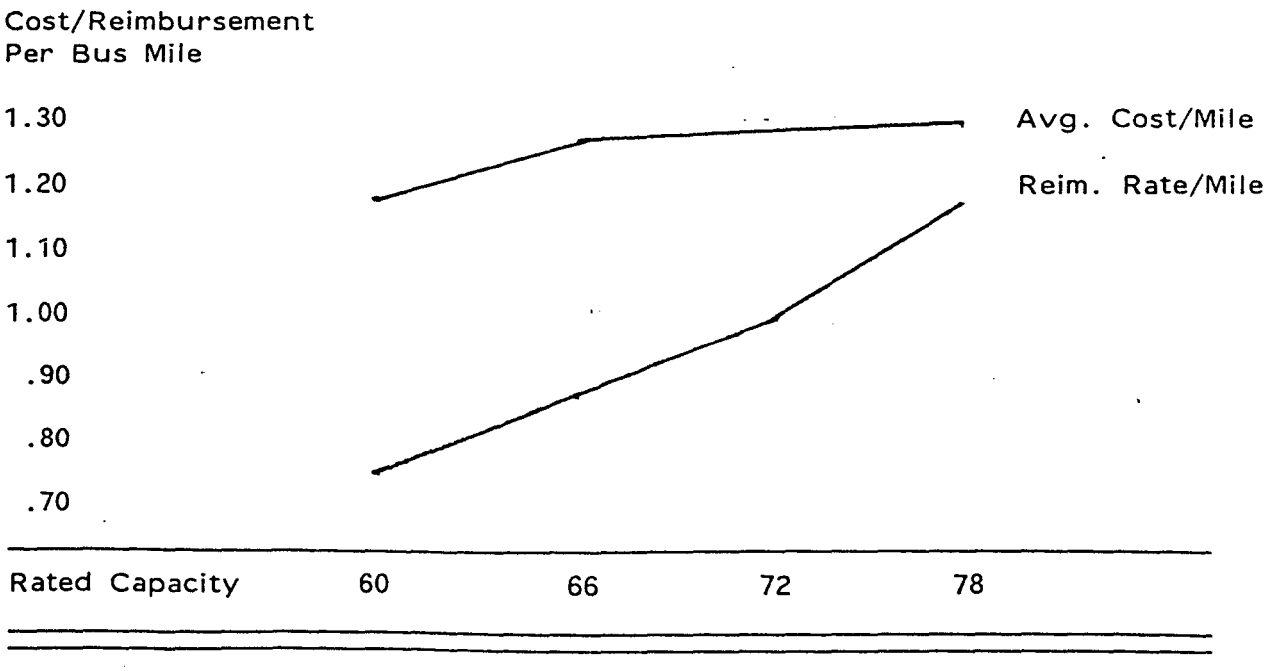


Figure 5 shows that the average cost per bus mile for 60, 66, 72, and 78 passenger buses is fairly constant, however, the reimbursement rate increases about 50 percent.

A flat rate of reimbursement for large buses would effectively eliminate the incentive for districts to operate larger buses in order to minimize district expense. This is because a district would receive the same reimbursement per bus mile for a 60 passenger bus as it would for a 78 passenger bus.

A flat rate of reimbursement would also tend to equalize the percentage of cost covered by the reimbursement schedule. A district currently operating a 48 passenger bus will, on average, be reimbursed for 65 percent of its cost, while a district operating a 72 passenger will be reimbursed for 77 percent of its cost. A flat rate reimbursement schedule, however, would allow the legislature to set the reimbursement rates for larger buses and small buses at similar percentages of average cost, equalizing the percentage cost reimbursed by the schedule. This is illustrated in Table 14.

Table 14
Percentage Cost Reimbursed, Current Schedule,
Proposed Flat Rate Schedule

	----Current----			-Flat Rate Schedule-		
Rated Capacity	48	66	72	48	66	72
Avg Cost/Mile	.84	1.28	1.29	.84	1.28	1.29
Reim. Rate/Mile	.55	.87	.99	.55	.85	.85
% Cost Reimbursed	65.5	68.0	76.7	65.5	66.4	65.4

3. Load requirement needs to be reestablished.

It is estimated that repealing the 75 percent load requirement cost the state over $350,000 in fiscal 1981 alone. Currently, the state and county subsidize district inefficiency or ineligible transportation since a bus receives maximum reimbursement as long as one eligible transportee is listed on the passenger roster. In the absence of a load requirement specifying a certain percentage of eligible transportees, districts have been able to circumvent the three-mile limit and shift a portion of the cost transporting ineligible transportees to the state and county.

POLICY ISSUES

This report raises the following policy issues relative to public school transportation. Specifically:

1. What percentage of reimbursable expenses should be covered under the reimbursement schedule?
2. Should the reimbursement schedule be restructured?
3. Should the state reestablish a load requirement?
4. Should the three-mile limit be reduced?

BLS:jt:b

1/28/83
EXHIBIT "E"

STATE OF MONTANA

Office of the Legislative Fiscal Analyst

STATE CAPITOL
HELENA, MONTANA 59620
406/449-2986

JUDY RIPPINGALE
LEGISLATIVE FISCAL ANALYST

October 8, 1982

TO: Legislative Finance Committee

FROM: Curtis M. Nichols, Principal Analyst

SUBJECT: Public School Transportation

The committee, at their March 1982 meeting, heard a staff report on Public School Transportation. This report explained the operation and funding of school transportation by the districts, county, and state. The report cited several issues. These included:

1. The reimbursement schedule does not fully compensate most districts for the cost of home-to-school transportation. Because of this, state reimbursement for transportation was only one-fourth of reimbursable costs on a statewide basis in 1981, as compared to one-third prescribed in statutes.

2. The structure of the reimbursement schedule was inconsistant with actual cost experience for the various sizes of buses giving an incentive for districts to use larger buses than necessary.

3. The repeal of the load requirement for buses in 1979 allowed districts to use larger buses than necessary or to haul ineligible students at state and county expense. The committee requested follow-up reports from this staff and the Office of Public Instruction.

The Office of Public Instruction was requested to 1) review the latest statistics on bus costs and determine if the reimbursement schedule should

be restructured and how and, 2) estimate the costs of lowering the three-mile limit to two or one mile. The estimates were to be prepared separately for high school and elementary. A copy of the OPI report is attached.

The staff was requested to estimate the cost of increasing state reimbursement from an average of one-fourth to one-third of reimbursable transportation expenses and present a load requirement.

Cost of Increasing State Share of Reimbursable Expenses to One-third

The cost of bus transportation excluding depreciation in fiscal 1982 was reported at $17,943,763. If the state were to adjust schedules to pay a full one-third of this cost the total state cost would have been approximately $6 million. Actual expenditures in fiscal 1982 were $4,882,631. Therefore, in fiscal 1982 the cost of paying one-third of reimbursable expenses would have been $1.1 million higher than actual state expenditures.

Load requirement

In order to understand the impact of a load requirement we took a sample of 250 buses in fiscal 1982. The sample included high school and elementary buses as well as buses in urban and rural areas. The result of the sample is recorded in Table I.

Table I
School Bus Loading

Sample	-----Percent of Sample With Buses----- Less than ½ loaded	½ to 2/3 loaded	Over 2/3 loaded
Rural Buses	32	15	53
Urban High School Buses	15	37	48
Urban Elementary Buses	23	23	54
Total	24	24	52

As Table 1 indicates, 52 percent of the buses were operated with more than two-thirds their rated capacity filled. This certainly illustrates that the capability to operate at a load factor exceeding two-thirds is present. However, the 48 percent of the buses that operated as less than two-thirds rated capacity point to the fact that some districts may have difficulty meeting a two-thirds load requirement. To help in this situation, the load requirement could be written in such a way as to allow a sliding scale of reimbursement for buses that are not able to meet the two-thirds requirement. If payment to schools were based upon the proportion of eligible riders to two-thirds of rated capacity, the reduction in reimbursement would not be severe until ridership was substantially below two-thirds. Table II illustrates an example.

Table II
Operation of a Two-Thirds Load Requirement with
Proportional Reduction in Reimbursements

Bus With Rate Capacity of 60 Carrying	Reimbursement* Per Bus Mile	Reduction in Reimbursement
60	$.85	NONE
50	.85	NONE
40	.85	NONE
30	.64	$.11
20	.43	.42
10	.21	.64

*1982 Schedules

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