

# Issue Brief – Pupil Transportation

MINIMUM SCHOOL PROGRAM

NUMBER MSP 9

## SUMMARY

State funding for pupil transportation is appropriated each year by the Legislature through the Minimum School Program. Appropriated funds support two transportation programs: Pupil Transportation – To and From School and, Pupil Transportation – Guarantee Transportation Levy. In addition to state funding, the majority of school districts also use local property tax revenues to support pupil transportation programs.

## OBJECTIVE

This brief provides information contained in an interim report to the Executive Appropriations Committee prepared by the Office of the Legislative Fiscal Analyst in July 2006. The report focused on the formula for the To and From School program as well as school bus routing and efficient practice.

## DISCUSSION AND ANALYSIS

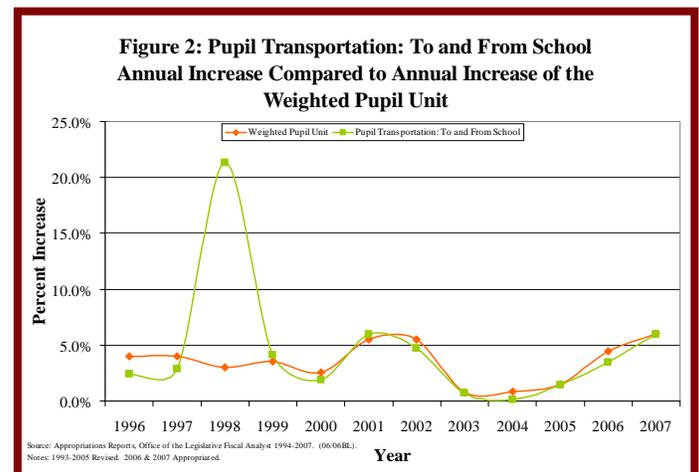
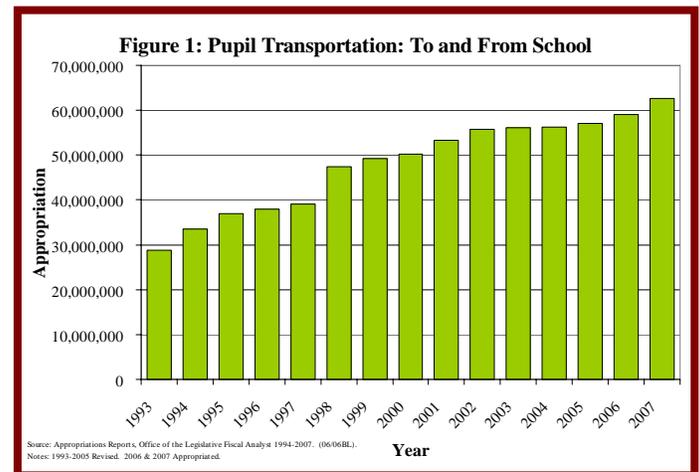
Information presented in this brief focuses on the To and From School program. Please refer to the Pupil Transportation interim report for more detailed information and analysis.

### *Pupil Transportation: To and From School Program*

The program provides \$64.3 million (FY 2008 base budget) in ongoing revenue to school districts to support the transportation of students to and from school each day. Funding also supports pupil transportation services at the Utah Schools for the Deaf and Blind. “These funds are to be used to transport students to and from school who are eligible for bussing based on the distance they live from school, and to pay for equipment and administrative expenses.”<sup>1</sup> Program funding also supports the creation of personnel training guidelines, and guidelines for school bus routing and mapping.

Figure 1 shows that over the past 15 years, the Legislature has doubled the amount of Uniform School Fund revenue appropriated to the To and From program. This funding history does not include any one-time funding appropriated to support the program.

Historically, the percent increase appropriated by the Legislature to support pupil transportation closely reflects the percent increase in the value of the Weighted Pupil Unit (WPU). Figure 2 compares the percent increase in To and From funding to the percent increase in the value of the WPU over the past 12 years. The sharp difference in percent increase in FY 1998 was the result of an effort by the Legislature to correct program underfunding prior to 1998.<sup>2</sup>



<sup>1</sup> Utah School Finance Reference Manual. Utah State Office of Education. 2000-2001.

<sup>2</sup> Budget Analysis. Office of the Legislative Fiscal Analyst., FY 1998. Minimum School Program.

### ***Transportation Finance Formula***

School districts receive state revenues on a formula basis. The formula contains statutorily required items, namely, “an allowance per mile for approved bus routes; an allowance per hour for approved bus routes; and an annual allowance for equipment and overhead costs based on approved bus routes and the age of the equipment.”<sup>3</sup> The Utah State Office of Education (USOE) developed the Transportation Finance Formula to govern the distribution of state revenues. The USOE formula is divided into two schedules, total state revenues received by school districts is the sum of these two schedules.

- Schedule A – School districts receive funding by transporting eligible students to and from school on a formula basis. The formula has four components that when summed, determine the level of funding a school district receives under Schedule A. Funding is distributed based on various rates, these rates include:
  - Time Allowance – based on the average cost per minute for driver salaries, retirement, social security, and health/accident insurance.
  - Mileage Allowance – based on the average cost per mile for bus fuel, lubrication, tires/tubes, and repair parts.
  - Depreciation Allowance – amortizes the current cost of a school bus over the expected life of the bus (200,000 miles).
  - Administration Allowance – supports the salaries and benefits of district transportation administrators. Rate is determined based on an allowance for pupils transported, route minutes, and route miles.
- Schedule B – School districts receive Schedule B funds on an application basis. School districts may “request state reimbursement for miscellaneous, non-formula related expenses incurred in transporting eligible students.”<sup>4</sup>

### ***Report Findings***

The Legislature has heard reports from school districts that the state is under-funding pupil transportation programs in the school districts. The portion of state funds contributing to school transportation programs varies significantly. This variance, estimated in the interim Pupil Transportation report, ranged from 26.7 [Beaver School District] to 90.1 [Tintic School District] percent state support in the school districts.

Reports of under-funding may be a result of the funding disparity among school districts, the overall mix of state revenue to local revenue supporting pupil transportation, or the total cost of the Transportation Finance Formula compared to the level of state revenue appropriated to support the formula. The Legislature has not defined, in statute or through intent language, the amount of local revenue a school district should contribute to a pupil transportation program. However, the Legislature has adopted statutory language directing the governance of state appropriations, the establishment of a finance formula based on certain criteria, and provisions directing a pro-rata distribution should appropriated revenues not cover formula costs.

### ***Assessing Potential Under-Funding***

It is difficult to assess a potential under-funding of pupil transportation by the state. Several measures could be used to determine the full extent of under-funding claims, the interim Pupil Transportation report focused on two: total cost for To and From School transportation and total cost of the pupil transportation finance formula compared to revenue appropriated to support the formula.

<sup>3</sup> UCA 53A-17a-127. Eligibility for state supported transportation.

<sup>4</sup> Utah State Office of Education. Finance and Statistics Section. Transportation Finance Formula.

*Total Cost*

Table 1 provides the total expenditures for the To and From School Program compared to the total state fund appropriation. In FY 2005, the state provided 57.9 percent of the revenue supporting To and From School expenditures compared to 64.9 percent in 2000, a decrease of 7 percent. On average, state funds have provided for 62 percent of the revenue supporting To and From expenditures since 2000.

Using total cost as an indicator of potential under-funding has some complications. The measure does not tell us if the declining proportion of state revenue is a result of local decision making pursuant to transporting students [increasing costs], direct Legislative action pursuant to pupil transportation appropriations, or other economic changes [prices for services, declining revenues, etc.] Further, total cost does not provide an indication of an appropriate mix of state revenues to local revenues supporting pupil transportation.

If the Legislature chose to fund 100 percent of To and From School expenditures in FY 2005, an additional 39.9 million is required. Table 1 provides a comparison of the potential under-funding based on the state providing 75 percent of total costs. Using this scenario, in FY 2005 providing 75 percent of the total cost would require an additional \$16.2 million.

<b>Table 1: Pupil Transportation - To and From School</b>						
Total District Expenditures Compared to State Fund Revenue						
2000 - 2005						
Fiscal Year	Total To and From Transportation Expenditures	Total State Funds Appropriated	State Funds as Percent of Total	75% State Support for Program Expenditures		
				Revenue to Support 75% of Expenditures	Difference 75% to Actual Appropriation	Percent State Funds Under 75%
2000	\$75,254,377	\$48,840,319	64.9%	\$56,440,782.75	(\$7,600,463.75)	-13.5%
2001	81,028,509	51,526,537	63.6%	60,771,382	(9,244,845)	-15.2%
2002	84,858,066	53,822,792	63.4%	63,643,550	(9,820,758)	-15.4%
2003	87,524,733	54,227,430	62.0%	65,643,550	(11,416,120)	-17.4%
2004	90,588,671	54,292,689	59.9%	67,941,503	(13,648,814)	-20.1%
2005	95,079,053	55,079,933	57.9%	71,309,290	(16,229,357)	-22.8%

Sources: Utah State Office of Education, Finance and Statistics  
Annual Financial Reports, 2000-2005.  
Office of the Legislative Fiscal Analyst,  
Appropriations Reports, 2001-2005.

Prepared by: Office of the Legislative Fiscal Analyst (07/06BL). Updated with 80% of To and From (01/07BL).

*Total Formula Cost Compared to Appropriated State Revenues*

Statute provides that if insufficient state funds are appropriated to support the cost of the Transportation Finance Formula, school districts shall receive a pro-rate share of the total funds available. This distribution is based on approved costs [defined in statute and reflect the Transportation Finance Formula allowances mentioned above.] Table 2 shows the total cost of the Transportation Finance Formula compared to the amount of revenue distributed by the USOE. Assuming that the transportation finance formula property reflects the district costs, a pro-rata distribution indicates that insufficient revenues were appropriated to support the statutory formula.

<b>Table 2: Pupil Transportation - To and From School</b>				
Transportation Finance Formula				
Total Formula Cost Compared to Pro-Rata Distribution				
2005 & 2006				
<b>Fiscal Year</b>	<b>Formula Cost</b>	<b>Actual Distribution</b>	<b>Difference</b>	<b>Percent Over/Under</b>
2005	\$60,428,194	\$55,079,983	(\$5,348,211)	-8.9%
2006	65,253,194	62,007,728	(3,245,466)	-5.0%

Source: Utah State Office of Education, Finance and Statistics Section

Transportation Finance Formula. July 2006.

Prepared by: Office of the Legislative Fiscal Analyst (07/06BL).

The Difference column in Table 2 indicates that in FY 2006 school districts received approximately \$3.2 million less in state revenues than required to support the costs of the Transportation Finance Formula. This measure provides the most logical link to evaluating a potential state under-funding of To and From School transportation. Assuming the formula correctly estimates school district costs [and that school districts properly account for these costs] the level of state over/under funding can easily be determined by calculating the formula and comparing the total cost to the amount of revenue appropriated.

Table 3 provides the reimbursement rates for the various components of the Transportation Finance Formula. Statute requires an annual review and adjustment of the individual formula components. "The State Office of Education shall annually review the allowance per mile, the allowance per hour, and the annual equipment and overhead allowance and adjust the allowance to reflect current economic conditions."<sup>5</sup> Table 3 shows the formula rates and indicates that annual revenues have not occurred for the past several years. Due to cost increases in employee wages and benefits, fuel, equipment and other associated costs, the Transportation Finance Formula rates likely do not reflect the current economic conditions faced by school transportation programs across the state.

<sup>5</sup> UCA 53A-17a-127(3)(c). Eligibility of state-supported transportation.

**Table 3: Pupil Transportation - To and From School**  
 Transportation Finance Formula Reimbursement Rates  
 2001 - 2006

Reimbursement Rate	2001	2002	2003	2004	2005	2006
Time Allowance	\$0.34	\$0.34	\$0.36	\$0.34	\$0.34	\$0.34
Mileage Allowance (Buses)	0.32	0.32	0.34	0.32	0.32	0.32
Mileage Allowance (Vans)	0.13	0.13	0.13	0.13	0.13	0.13
Depreciation Allowance	0.34	0.36	0.36	0.39	0.45	0.45
Administrative Allowance						
Ridership	500.00	500.00	500.00	500.00	500.00	500.00
Route Minutes	3.00	3.00	3.00	3.00	3.00	3.00
Route Milage	13.00	13.00	13.00	13.00	13.00	13.00
Total State Allowance	\$53,822,792	\$54,277,430	\$54,292,689	\$57,007,730	\$65,253,194	\$60,428,194

**Notes:**

The Administrative Allowance involves three calculations: (1) Using the number of actual student riders per route, both regular and special education, multiply the total to the .6 exponential power, then multiplying the result by \$500. (2) Calculate total minutes to the .6 exponential power then multiply by \$3.00. (3) Calculate the total miles to the .6 exponential power, then multiply by \$13.00. Sum the totals from each of these calculations.

Source: Utah State Office of Education, Finance and Statistics Section. July 2006.

Prepared by: Office of the Legislative Fiscal Analyst (07/06BL).

**RECOMMENDATIONS**

The Analyst recommends that the Legislature consider the following:

- Request an audit by the Legislative Auditor General of the Pupil Transportation – To and From School Program to determine the causes for such wide discrepancies among school districts revenues supporting To and From School transportation programs and formula costs.
- Study the appropriate mix of state revenue to local revenue supporting To and From School transportation programs and why state revenues are declining when compared to total revenues.
- Recommend that the State Board of Education annually adjust and approve the Transportation Finance Formula allowance rates. The Board should also submit the adjusted rates, along with annual cost estimates, to the Legislature in its annual budget request.
- Request that the State Board of Education conduct a study during the 2007 interim that fully reviews the components of the Transportation Finance Formula, school district reporting procedures, mechanisms to annually adjust formula components, and FY 2009 cost estimates. This review should include the school districts, district business officials, transportation specialists and other interested parties. Report findings and recommended changes to the Transportation Finance Formula should be presented to the Public Education Appropriations Subcommittee during an interim meeting before September 1, 2007.