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THE UTAH STATE BOARD OF EDUCATION
Report to Legislative Committee

To/From School Pupil Transportation Workgroup Recommendations

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EXECUTIVE SUMMARY

The Utah State Legislature requested that the Utah State Board of Education (the USBE) form a workgroup to make recommendations to the Public Education Appropriations Subcommittee on how to measure 85% of eligible transportation costs so it can be consistently applied and replicated in future years. This report contains recommendations from the Transportation Advisory Committee (TAC) workgroup on a calculation that would replace the current appropriation calculation for future fiscal years. Implementation of this recommendation requires USBE support and Legislative action.

BACKGROUND

The Utah State Legislature provides an annual appropriation for To/From School Pupil Transportation, as provided for by UCA 53F-2-402. For fiscal year 2019, the total transportation appropriation is \$91,336,200. Of this amount, \$4.246 million is reserved for the Utah Schools for the Deaf and Blind (the USDB) to fund their student transportation contracts for USDB students. The remaining \$87.09 million is distributed to school districts. Annually, the total amount of the To/From School Pupil Transportation appropriation is increased by the same percentage student enrollment increases and increases to the value of the WPU. This results in an additional 1-2 percent increase in the overall appropriation each year. This appropriation is allocated to school districts by the USBE based on eligible miles and minutes for approved bus routes.

UCA 53F-2-402 indicates that the state shall contribute 85% of approved transportation costs, subject to budget constraints. A student is eligible for state-supported transportation if the student in grades kindergarten – sixth lives at least 1-1/2 miles from the school and a student in grades seven – 12 lives at least two miles from school. Eligibility criteria for students and routes are outlined in UCA 53F-2-403.

During the 2018 legislative session, the Public Education Appropriations Subcommittee received a request to increase funding to bring the transportation appropriation up to the 85% of eligible costs referred to in statute. However, questions were raised regarding how the 85% is to be measured. There is no definition of the 85% in statute or rule and no consensus could be reached during the session as to what data should be used. The Legislature requested that the USBE form a workgroup to make recommendations to the Public Education Appropriations Subcommittee on how to measure the 85% so it can be consistently applied and replicated in future years.

WORKGROUP METHODOLOGY

UCA 53F-2-402 section 5 provides that... “A Transportation Advisory Committee with representation from school district superintendents, business officials, school district transportation supervisors, and State Board of Education employees shall serve as a review committee for addressing school transportation needs, including recommended approved bus routes.” As provided for in statute, the USBE worked with the Utah School Superintendents Association, the Utah Association of School Business Officials, and the Utah Association for Pupil Transportation to ensure that the Transportation Advisory Committee (TAC) was fully staffed with current members and convened this group for two meetings. The TAC committee is made up of the following individuals representing the indicated groups:

School District Superintendents:

Tracy Davis – Garfield School District
Kent Larsen – South Sanpete School District
Rick Nielsen – Nebo School District

School District Business Administrators:

Kyle Hosler – San Juan School District
Derek Anderson – Uintah School District
John Larsen – Jordan School District

School District Transportation Directors:

Allison Bulloch – Iron School District
Herb Jensen – Jordan School District
Wayne Reese – Cache School District

Representatives from the Legislative Fiscal Analyst Office, the Governor’s Office of Management and Budget, and USBE staff also participated in the workgroup.

Meeting 1

Prior to the first meeting, TAC members were provided a video demonstrating how the current To/From School Pupil Transportation appropriation distribution is calculated and demonstrated all of the data inputs used in the calculation. This video is on the USBE YouTube channel, under the financial operations channel or at the following link:

https://www.youtube.com/watch?v=pAu35_OLgZQ.

The first meeting of the workgroup answered questions regarding the formula distribution and discussed various questions surrounding how eligible routes and students are being applied statewide and in individual school districts.

The workgroup was presented with the following questions to consider and discuss:

- 1) How will the USBE ensure that the Legislature funds no more than 85% of approved to/from costs.
- 2) What does approved mean?
- 3) How will the 85% be measured?
- 4) Are all school districts recording expenditures in the Annual Financial Report (AFR) consistently?
- 5) What is the purpose of reporting on the AFR?
- 6) How does the guarantee transportation and the rural routes program interaction with the to/from calculation?

The workgroup also discussed what methods the USBE used to calculate 85% during the prior legislative session and what data was used by the school districts to calculate the 85%.

Workgroup members discussed that the USBE is using data from two years prior to calculate the current year distribution of the appropriation. The USBE excludes unallowable costs from past data, such as ineligible routes and bus purchases to arrive at eligible approved costs for the allocation. USBE calculates the 85% by dividing total eligible costs by what was actually allocated in the formula for the most recent fiscal year.

School district business officials are using current year To/From School Pupil Transportation expenditure's divided by what the school district's allocation was that same year to arrive at their 85% measure.

The timing difference between two years' prior data and current year data appears to be the major reason the two calculations were not comparable as they were discussed in Public Education Appropriations Subcommittee during the legislative session.

Meeting 2

The TAC members continued discussion on how the USBE distributes the appropriation and how they calculated the measurement of 85% of eligible costs.

The current distribution formula utilizes various data points from different fiscal years. For the fiscal year 2018 transportation formula, the formula utilizes fiscal year 2017 actual bus statistical information such as total bus odometer miles and eligible transportation miles and fiscal year 2016 transportation expenditures reported on the AFR. The different data points are used because of the timing in which some of the data can be gathered and the timing when USBE has to calculate and publish distributions for school districts to use in budgeting. The USBE utilized the amounts distributed from the transportation formula because it was already established and adjusted school districts total reported transportation costs to reduce them for ineligible costs the statute indicates the appropriation will not fund.

Some workgroup members indicated that not including the cost of school buses as eligible costs does not truly represent the total cost of school transportation. The discussion on how to

appropriately and fairly include the cost of buses in the formula was not discussed since this topic was not included in the original purpose of this workgroup. It should be noted that in 2009, the Legislature removed bus depreciation from the list of eligible costs that can be funded by the To/From School Pupil Transportation appropriation. This occurred in HB2 from the 2009 session.

Workgroup members noted that school districts did not use the actual distribution formula to calculate 85% for the following reasons:

- 1) The costs reported in the AFR used by the USBE are two years old. These costs do not represent increased costs associated with personnel, insurance, fuel, etc. in the current fiscal year and the 2% annual adjustment does not keep up with increasing costs.
- 2) The distribution formula funds LEAs on averages to encourage efficiency; however, this efficiency measure also skews the 85% calculation differently for each school district.
- 3) This methodology requires USBE to evaluate and measure the 85% for each school district, which is dependent on many variables and somewhat subjective in nature.

School districts calculated the 85% requirement by using their actual 2017 transportation costs in comparison to their 2017 transportation funding allocation. The 2017 fiscal data was available in December of 2017.

This method removes the variables used to measure efficiencies and uses expenditure data that is one year more recent. However, by using total reported transportation expenditures, ineligible costs for field trips, ineligible routes, activities, etc. are still included in these expenditures. Leaving ineligible costs in the calculation of 85% will overstate what the Legislature intends to fund.

The workgroup evaluated different ideas and unanimously agreed to forward the following scenario to the State Board of Education for recommendation to the Public Education Appropriations Subcommittee.

PROPOSED APPROPRIATION CALCULATION

The proposed scenario does not change the current transportation distribution formula. The scenario is intended to change how the amount to be funded by the Legislature through an appropriation will be calculated annually. The scenario is a calculation intended to align the fiscal and statistical data points from a given fiscal year to arrive at a percent of eligible costs funded. This can be replicated and projected into the future for budgeting purposes.

The proposed scenario as calculated for FY2017 is represented in Figure 1. This method first determines a percentage of total eligible miles submitted by all school districts based on actual odometer readings from the statistical reports.

Next, total statewide To/From School Pupil Transportation costs (less school bus purchases) are multiplied by the percent of eligible miles to arrive at a calculated eligible cost. These costs were

generated from the same fiscal year in which the miles were reported. This provides a better analysis of costs per eligible mile. Efficiency measures are not included in this calculation, reducing any potential for skewing the calculation and the 85% is not measured on an individual school district basis.

Lastly, the total eligible costs are then multiplied by 85% to calculate the amount of funds needed in the appropriation to fund school districts at 85% of eligible transportation costs.

This calculation indicates that an additional \$13,719,222 was needed to raise the total To/From School Pupil Transportation appropriation from \$75,361,466 to the total of \$89,080,688, which represents 85% of eligible costs from FY2017.

Figure 1:

	FY 2017
(1) Eligible Miles	25,369,434
(2) Total Odometer Miles	32,438,156
(3) % of Eligible Miles of Total Miles [(1)/(2)]	78.21%
(4) Total APR Function 2700 Transportation Costs (excludes bus purchases)	\$ 134,001,608
(5) Calculated Eligible Costs [(3)*(4)]	\$ 104,800,809
(6) Total Estimated Appropriation [(5)*85%]	\$ 89,080,688
(7) Actual Appropriation	\$ 75,361,466
(8) Difference [(7)-(6)]	\$ (13,719,222)
(9) % of Actual Cost Funded [(7)/(5)]	71.9%

Because we do not have all the data points necessary to perform this calculation with actual data for FY2019, a rolling average was calculated based on actual data from fiscal years 2015-2017. This rolling average can then be used to project forward for budgeting purposes annually. Eligible transportation costs and the amount required to fund at 85% can be estimated and updated in perpetuity to deliver a consistent approximation annually. The estimate will self-correct with each new year of actual data.

The FY2019 estimation using rolling averages is presented in Appendix A. Using this method, it is estimated that \$92,317,989 was needed to fund the FY2019 To/From School Pupil Transportation costs at 85%. This is a difference of \$5,227,789 from the actual FY2019 transportation appropriation for school districts of \$87,090,200.

The current distribution formula will be utilized to distribute funds to school districts. The TAC recommended that school districts individually will not be funded at more than 100% of eligible costs in any given year. The amount set aside from the total appropriation for the Utah School for

the Deaf and Blind (the USDB) was excluded for this scenario and will continue to be pulled out for calculation and distribution purposes.

Additional recommendations to clarify and study issues regarding the data used and policies governing the distribution formula also came out of the TAC meetings. These are listed below. The TAC will continue to work on distribution formula revisions and definitions throughout the next year.

Members of this workgroup reviewed prior recommendations made in a 2008 legislative audit and analyzed current processes for data collection and summarization. Presently, all data collection from the school districts and all compilation and analysis work is done on individual spreadsheets. The USBE feels that the burden for data submission by the school districts and data collection and summarization on the part of USBE could be drastically reduced by implementing an online reporting system. This was a recommendation of the legislative auditors in 2008 and has been a request of school districts for the past few years. The USBE has approximately \$405,000 in carryover in the Grants for Unsafe Routes program that was discontinued at the end of FY2018. Staff of the USBE desire to obtain approval from the Public Education Appropriations Subcommittee to use these onetime funds to implement an online reporting system within the next three years.

RECOMMENDATIONS

- 1) The TAC recommends that the State Board of Education forward the proposed appropriation calculation to the Public Education Appropriations Subcommittee for recommendation. Adoption would require legislation to implement.
- 2) A portion of the To/From School Pupil Transportation formula was corrected which appeared to exclude a portion of benefit costs statewide that should have been included as eligible transportation expenditures. This was corrected and applied to the FY2019 distribution formula. No further action is required.
- 3) Utilize the TAC to further discuss some concerns brought up by this workgroup regarding eligibility of routes and interpretations of current transportation USBE rule and practice. These will be the topics of future TAC meetings over the next year.
- 4) USBE staff recommend that the State Board of Education request authorization to obligate carryover funds from the discontinued Grants for Unsafe Routes program to implement an online reporting system for student transportation data.

Appendix A

Estimated To/From Transportation Appropriation (Excludes USDB)							
	FY 2015	FY 2016	FY 2017	% Change (3PY to 2PY)	% Change (2PY to PY)	Est. FY 2018	Est. FY 2019
(1) Eligible Miles	25,904,863	25,587,104	25,369,434				
(2) Total Odometer Miles	32,333,595	32,198,371	32,438,156				
(3) % of Eligible Miles of Total Miles [(1)/(2)]	80.12%	79.47%	78.21%				
(4) Total APR Function 2700 Transportation Costs (excludes bus purchases)	\$ 126,221,856	\$ 128,686,146	\$ 134,001,608				
(5) Calculated Eligible Costs [(3)*(4)]	\$ 101,125,775	\$ 102,263,119	\$ 104,800,809	1.12%	2.48%	\$ 105,979,486	\$ 108,609,399
(6) Total Estimated Appropriation [(5)*85%]	\$ 85,956,909	\$ 86,923,651	\$ 89,080,688			\$ 90,082,563	\$ 92,317,989
(7) Actual Appropriation	\$ 68,643,600	\$ 72,099,945	\$ 75,361,466				
(8) Difference [(7)-(6)]	\$ (17,313,309)	\$ (14,823,706)	\$ (13,719,222)				
(9) % of Actual Cost Funded [(7)/(5)]	67.9%	70.5%	71.9%				