Legislative Fiscal Bureau

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Pupil Transportation Aid Rates and Prorate Provision
(DPI -- Categorical Aids)

CURRENT LAW

Under current law, in general a pupil attending a public or private school is entitled to transportation by the school district if the pupil lives two or more miles away from the school building the pupil is entitled to attend. School districts may elect to provide transportation to pupils who are not required to be transported, although the district must maintain reasonable uniformity in the minimum distance such pupils will be transported.

School districts required by state law to furnish transportation services to public and private school pupils enrolled in regular education programs, including summer school, are eligible to receive categorical aid. The state pays a flat, annual amount per transported pupil that varies according to the distance that each pupil is transported to school. A total of $27,292,500 GPR was appropriated for pupil transportation in 2008-09.

GOVERNOR

Reduce base level funding of $27,292,500 by 1% annually to provide $27,019,600 for pupil transportation aid in each year of the biennium. Fund pupil transportation aid with segregated revenues from the transportation fund, rather than GPR.

DISCUSSION POINTS

1.   In 2008-09, 422 school districts are eligible for pupil transportation aid for transporting 498,229 public school pupils and 41,154 private school pupils. Under the program, if funding is insufficient to pay all eligible claims, payments are prorated. Statutory pupil

transportation payment amounts are provided below.

Distance	Annual Amount	Summer School
0-2 miles (hazardous areas)	$15	--
2-5 miles	35	$4
5-8 miles	55	6
8-12 miles	110	6
12 miles and over	220	6

2.	In 2008-09 it is estimated that no prorate will be necessary, because total aid eligibility is less than the amount of the appropriation, based on the statutory payment amounts. State expenditures are projected to be $24.7 million, while $27,292,500 is appropriated. The remaining $2.6 million will lapse to the general fund at the end of the fiscal year.

3.	For 2007-08, school district transportation aidable costs reported to DPI are as yet unaudited. However, based on preliminary information, districts expended approximately $327.1 million from their general funds for costs related to transportation (excluding transportation provided for special education and other expenditure fund categories). The current state aid appropriation is equal to 8.3% of that total.

4.	The transportation aid appropriation was substantially increased under 2005 Act 25, and per pupil payment amounts were adjusted in fiscal years 2005-06, 2006-07, and 2007-08 in an effort to distribute all appropriated aid. However, funds have not been fully expended since 2005-06. The following table shows appropriated and expended amounts for the past five years.

	Amount Appropriated	Amount Expended
2004-05	$17,742,500	$17,742,500
2005-06	20,942,500	20,942,500
2006-07	27,292,500	25,113,300
2007-08	27,292,500	25,272,800
2008-09	27,292,500	24,720,300

5.	Transportation categorical aids provide an additional resource for school districts outside of revenue limits. If a smaller portion of funding under revenue limits were needed for transportation, then more funding would be available for instructional purposes. Those additional resources can be especially important to districts with transportation costs composing a large percentage of their overall education costs. Such districts typically have large attendance areas and small or declining enrollments, due to population sparsity in some parts of the state. The Committee could choose to increase the top two payment rates, for pupils transported 8 to 12 miles, and pupils transported 12 miles and over, in order to fully expend base level funding while distributing

additional aid to districts transporting pupils more than eight miles between home and school (Alternative 1).

Distance	Current Amount	Alternate Amount
0-2 miles (hazardous areas)	$15	$15
2-5 miles	35	35
5-8 miles	55	55
8-12 miles	110	135
12 miles and over	220	270

6.   On the other hand, most districts are required to provide transportation and have costs associated with that responsibility. For these reasons, the Committee could consider allowing DPI to increase all transportation aid rates proportionately in order to expend the entire appropriation in a given year. Under this alternative, DPI could prorate payments to districts either positively or negatively for transportation. Currently, DPI may only reduce payments when the appropriation is insufficient to cover all aid claims by districts. This provision would allow DPI to fully expend the appropriation for transportation by increasing reimbursement rates on a proportionate basis. In 2008-09, aid payments to districts could have been increased by more than 10% had this change applied (Alternative 2).

7.   The funding source for pupil transportation will be addressed in a separate Legislative Fiscal Bureau paper under "Department of Transportation -- Transportation Finance."

ALTERNATIVES

1.   Increase the annual reimbursement rate for pupils transported 8 to 12 miles from $110 to $135, and increase the rate for pupils transported over 12 miles from $220 to $270, beginning in 2009-10, for pupils transported in 2008-09. The estimated additional cost of $2.3 million annually would be funded from the AB 75 annual funding level of $27,019,600.

2.   Allow DPI to proportionately increase transportation aid rates at each level of reimbursement if, in any given year, such prorate is necessary in order to fully expend the appropriated funding, beginning in 2009-10, for pupils transported in 2008-09. Under current law, DPI can only reduce payments when the appropriation is insufficient.

3.   Maintain current law.

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