



## Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #607

### **Pupil Transportation Rates (DPI -- Categorical Aids)**

[LFB 2005-07 Budget Summary: Page 402, #5]

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#### **CURRENT LAW**

Under current law, 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. If a school district elects to provide transportation to additional pupils, then it is required to maintain reasonable uniformity in the minimum distance that public and private school pupils will be transported.

This transportation requirement does not apply to pupils who reside in school districts that contain all or part of a city, unless the pupil attends a school building that is located outside of the city but within the boundaries of the school district. However, this exclusion from the transportation requirement does not apply to school districts that contain all or part of a first, second, or third class city with a population exceeding 40,000, unless transportation is available through a common carrier of passengers.

School districts may provide transportation by any of the following methods: (a) by contract with a common carrier, a taxi company or other parties; (b) by contract with the parent or guardian of the pupil to be transported; (c) by contract with another school board, board of control of a cooperative educational service agency or the proper officials of any private school or private school association; (d) by contract between two or more school boards and an individual or a common carrier; or (e) by the purchase and operation of a motor vehicle.

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 \$17,742,500 GPR is

appropriated for pupil transportation in 2004-05.

## **GOVERNOR**

Shift the source of funding for pupil transportation aid to the transportation fund rather than from the general fund as under current law, which is addressed in a separate paper under the Department of Transportation.

Provide \$3,200,000 in 2005-06 and \$13,200,000 in 2006-07 of additional funding from the transportation fund and increase categorical aid reimbursement rates for public and private school pupils transported by school districts.

## **DISCUSSION POINTS**

1. In 2004-05, 420 school districts are eligible for pupil transportation aid for transporting 597,776 public and private school pupils. Under the program, if funding is insufficient to pay all eligible claims, payments are prorated. In 2004-05, it is estimated that the prorate will equal 93.36% of eligible claims totaling \$19,004,400, based on current law per pupil payment amounts. However, actual transportation costs incurred by school districts are usually higher than the rates paid by the state.

2. For 2003-04, school district transportation aidable costs reported to DPI totaled approximately \$225 million. The current state aid appropriation, which has been level-funded since 1990-91, is equal to 7.9% of that total. Under the bill, districts on average would be reimbursed for their pupil transportation costs at rates of approximately 9.3% in 2005-06 and 13.8% in 2006-07, assuming costs would be similar to those reported for 2003-04. According to DPI, pupil transportation costs can vary widely among school districts, ranging from \$60 to \$1,000 per pupil annually.

3. Some have argued that additional aid should be provided to large area districts, which often experience high per pupil transportation costs. Such districts typically share the characteristics of small or declining enrollments, and large geographic attendance areas, due to population sparsity in some parts of the state. For example, 24 school districts have areas of at least 400 square miles, and another 49 have areas of at least 200 square miles. Bus routes in these districts can be extremely long.

4. However, one could argue that general school aids, funded at \$4.3 billion in 2004-05, are a more significant resource than transportation aid in the overall context of the state's efforts to equalize the tax base among school districts and provide an equal opportunity for a sound basic education under the state school finance system. Further, any transportation costs not reimbursed by state categorical aids are included in shared costs under general equalization aids; on average, general school aids in 2004-05 equaled 57.1% of shared costs. An individual district's equalization aid depends upon the district's relative property wealth and costs, and how the district competes

under the equalization aid formula. Any remaining costs would be paid with local funding sources, primarily from property taxes. Given these alternate sources of revenue, the Committee could choose to continue to fund pupil transportation at the base level.

5. On the other hand, while this funding is substantial, general school aids and property taxes are subject to revenue limits. The Governor's recommendation would provide additional transportation categorical aid, which would be an additional resource for school districts outside of revenue limits. If a smaller portion of funding subject to revenue limits would be needed for transportation, which most districts are obligated to provide, then more funding would be available for instruction and other purposes. For that reason, the Committee might wish to approve the increase in funding provided under the bill.

6. Under the Governor's recommendation, the state per pupil payment amounts related to pupil transportation would increase, with substantially higher payments for pupils transported more than 12 miles. The following table shows the flat, annual payment amounts that school districts receive for pupil transportation under current law, and that they would receive under the bill. The current law rates have not changed since 1980-81.

**Per Pupil Transportation Aid Rates**

<u>Distance</u>	<u>Current Law Full Year</u>	<u>Governor's Proposal</u>	
		<u>2005-06</u>	<u>2006-07 and Thereafter</u>
0-2 miles (Hazardous Areas)	\$12	\$12	\$16
2-5 miles	30	30	40
5-8 miles	45	45	65
8-12 miles	60	82	120
12-15 miles	68	150	200
15-18 miles	75	150	200
18 miles and over	85	150	200

7. On the other hand, given state budget constraints, the Committee could consider providing a smaller increase in the pupil transportation appropriation relative to the bill, but one that would eliminate the need to prorate aid. If current law per pupil payment rates would be maintained, an increase of \$1,261,900 over base level funding would allow DPI to provide 100% funding for pupil transportation aid claims.

8. The funding source for pupil transportation aids is addressed in an LFB paper under transportation finance.

**ALTERNATIVES**

1. Approve the Governor's recommendation to provide \$3,200,000 in 2005-06 and \$13,200,000 in 2006-07 above base level funding of \$17,742,500. Increase reimbursement rates for public and private school pupils transported by school districts, in order to distribute the additional aid.

2. Delete the proposed second year increase in reimbursement rates and \$10,000,000 in 2006-07. This alternative would provide \$3,200,000 annually over base level funding, and would increase reimbursement rates in 2005-06 and thereafter to those proposed by the Governor for 2005-06.

<b><u>Alternative 2</u></b>	<b><u>SEG</u></b>
<b>2005-07 FUNDING</b> (Change to Bill)	- \$10,000,000

3. Delete \$1,938,100 in 2005-06 and \$11,938,100 in 2006-07. This alternative would provide \$1,261,900 annually over base level funding, which would fully fund estimated current law payments.

<b><u>Alternative 3</u></b>	<b><u>SEG</u></b>
<b>2005-07 FUNDING</b> (Change to Bill)	- \$13,876,200

4. Delete the provision.

<b><u>Alternative 4</u></b>	<b><u>SEG</u></b>
<b>2005-07 FUNDING</b> (Change to Bill)	- \$16,400,000

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