



Legislative Fiscal Bureau

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May 15, 2007

Joint Committee on Finance

Paper #639

Pupil Transportation Aid Rates (DPI -- Categorical Aids)

Bill Agency

[LFB 2007-09 Budget Summary: Page 466, #6]

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 \$27,292,500 GPR was appropriated for pupil transportation in 2006-07.

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.

Increase the annual reimbursement rate for pupils transported over 12 miles from \$180 to \$220 beginning in 2007-08. Aid rates for pupils transported less than 12 miles would remain the same. No additional funding would be provide, as it is estimated that the base level of funding would be sufficient to fund the estimated additional annual cost of \$900,000 under the proposed increase.

DISCUSSION POINTS

1. In 2006-07, 421 school districts are eligible for pupil transportation aid for transporting 519,377 public school pupils and 42,184 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.

<u>Distance</u>	<u>Annual Amount</u>
0-2 miles (hazardous area)	\$15
2-5 miles	35
5-8 miles	55
8-12 miles	110
12 miles and over	180

2. In 2006-07, it is estimated that no prorate will be necessary, because total expenditures will not expend the entire appropriation, based on the statutory payment amounts. State expenditures are projected at \$25.1 million, while \$27,292,500 is appropriated. The remaining \$2.2 million would have lapsed to the general fund at the end of the fiscal year. However, at its December 14, 2006, meeting under s. 13.10 of the statutes, the Committee voted to transfer \$2.0 million from the appropriation to help cover a deficit within the Office of the State Public Defender.

3. For 2005-06, school district transportation aidable costs reported to DPI totaled approximately \$373,863,000. The current state aid appropriation, which was substantially increased under 2005 Act 25, is equal to 7.3% of that total. SB 40 would maintain base level funding for

pupil transportation aid. In 2005-06, reported transportation cost per member varied widely among districts, ranging from \$30 to \$1,300 per member for the year. DPI indicates that, in recent years, these costs have increased rapidly, due to spikes in gasoline and diesel prices.

4. Under the bill, additional aid would be provided to districts with the longest bus routes, as pupils transported more than 12 miles would receive aid equal to \$220, rather than \$180 under current law. 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 districts have areas of at least 400 square miles, and another 49 have areas of at least 200 square miles. Bus routes in these areas can be lengthy.

5. Those districts with large areas can incur transportation costs representing unusually high percentages of total education costs. According to DPI comparative cost data for 2005-06, on a statewide basis, pupil transportation represented 4.0% of total education costs. For the purposes of this data, total education costs include all instruction, support services, transportation, and facilities costs. As an example, in 2005-06 twelve districts had transportation costs of at least 8.0% of total education costs, or twice the statewide average. Of those twelve, nine had attendance areas of at least 250 square miles.

6. One could argue that general school aids, funded at \$4.72 billion in 2006-07, are a more significant resource than the transportation categorical 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 2006-07 equaled 58.2% 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 and state budget constraints, the Committee could choose to leave pupil transportation aid rates unchanged, and reduce the appropriation by \$900,000, the estimated amount of aid that the rate change would distribute next year.

7. Transportation categorical aids provide 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, then more funding is available for instructional purposes. Those additional resources can be very important to districts with transportation costs composing a large percentage of their overall education costs. In addition, the Joint Legislative Council's Special Committee on Review of State School Aid Formula endorsed in its final report the DPI budget request to increase the reimbursement rate for transportation over 12 miles from \$180 to \$220, as the Governor recommended. For these reasons, the Committee could choose to approve the rate change to ensure that the entire appropriation is expended.

8. On the other hand, given that most districts are required to provide transportation, the Committee could consider allowing DPI to increase all transportation aid rates proportionately in order to expend the entire appropriation in a given year. The Legislative Council Special Committee also recommended allowing DPI to 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.

9. The funding source for pupil transportation will be addressed in a separate Legislative Fiscal Bureau paper under transportation finance.

ALTERNATIVES TO BILL

A. Reimbursement Rate

1. Approve the Governor's recommendation to increase the annual reimbursement rate for pupils transported over 12 miles from \$180 to \$220 beginning in 2007-08. The estimated additional cost of \$900,000 annually would be funded from the base level of \$27,292,500.

2. Delete the provision and reduce the pupil transportation appropriation by \$900,000 annually.

ALT A2	Change to Bill Funding	Change to Base Funding
GPR	\$0	-\$1,800,000
SEG	<u>- 1,800,000</u>	<u>0</u>
Total	- \$1,800,000	- \$1,800,000

3. Delete provision.

B. Up or Down Prorate Provision

1. Allow DPI to proportionately increase transportation aid rates at each level of reimbursement if, in any given year, such a prorate is necessary in order to expend the entire transportation appropriation, beginning in 2007-08. Under current law, DPI can only reduce payments when the appropriation is insufficient.

2. Maintain current law.

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