



Legislative Fiscal Bureau

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Joint Committee on Finance

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High Cost Transportation Aid (DPI -- Categorical Aids)

[LFB 2021-23 Budget Summary: Page 472, #18]

CURRENT LAW

Under current law, districts qualify for high cost transportation aid if they meet the following eligibility requirements: (a) a transportation cost per member greater than 145% of the state average in the prior year; and (b) a pupil population density of 50 pupils per square mile or less, calculated by dividing the school district's membership in the previous school year by the district's area in square miles. Any district that qualified for aid in the preceding school year but is ineligible for aid in the current school year is eligible to receive an amount equal to 50% of its prior year award, with the sum of all payments under this provision not to exceed \$200,000 in any fiscal year. Base level funding is equal to \$13,500,000 GPR annually.

DISCUSSION POINTS

1. The high cost transportation aid program was created under 2013 Act 20 to provide additional transportation aid to school districts with higher per pupil transportation costs compared to the statewide average. Funding was first distributed under the program in the 2013-14 school year.

2. A district is eligible for high cost transportation aid if its per pupil transportation cost exceeds 145% of the statewide average per pupil transportation cost, based on audited cost and membership information from the previous school year. Transportation costs include only expenditures from the school district's general fund (Fund 10). The statewide average per pupil transportation cost is determined by dividing the total transportation costs for all school districts by the total membership for all districts. This figure is multiplied by 1.45 to determine the threshold for receiving aid, or 145% of the statewide average per pupil transportation cost. The result is then compared to each district's per pupil transportation cost, calculated by dividing the individual

district's total transportation cost by its total membership, to determine if the district's per pupil cost exceeds 145% of the statewide average.

3. An additional criterion for funding was added under 2015 Act 55 to address concerns that high cost transportation aid should be targeted to rural districts, which often transport pupils over greater distances and experience significant financial pressures in part as a result of the large portion of their budgets spent on pupil transportation. Under Act 55, only those districts with a pupil population density of 50 or fewer pupils per square miles are eligible to receive aid.

4. Each qualifying district is eligible to be reimbursed for the difference between its per pupil transportation cost and 145% of the statewide average cost per pupil for each pupil in the district. Therefore, the amount of aid for which each district is eligible is determined by subtracting 145% of the statewide average transportation cost per pupil from the district's transportation cost per pupil and multiplying this amount by the district's total membership. If eligible costs exceed the amount appropriated, aid is prorated. Any costs that are not reimbursed through the high-cost transportation aid program are eligible for aid under the state's equalization aid formula.

5. Under 2017 Act 59, a provision was added under which a district that qualified for aid in one year but is ineligible for aid in the following school year is eligible to receive an amount equal to 50% of its prior year award. The sum of all payments under this provision cannot exceed \$200,000 in any fiscal year. As a result, districts receiving aid under this provision are subject to a different proration rate than all other districts receiving aid under the program.

6. In 2019-20, aid was distributed to 136 school districts based on transportation costs in the 2018-19 school year. In that year, the statewide average transportation cost per pupil was \$441, and therefore the threshold above which districts qualified for high cost aid equaled \$639 per pupil. Statewide costs eligible for reimbursement totaled \$16.8 million. Because these costs exceeded the appropriation for high cost transportation aid, aid was prorated at 79.3%. Twenty-two districts had been eligible in the previous year but did not meet the eligibility requirements in the current year, and received payments equal to 36.5% of the maximum amount for which they were eligible (50% of their prior year payment). The following table shows the number of districts that qualified for aid, the total amount of funding appropriated, and the proration rate in each of the seven years in which high cost transportation aid has been distributed.

High Cost Transportation Aid, 2013-14 to 2019-20

	<u>Districts</u>	<u>Appropriation</u>	<u>Proration</u>	<u>Prior Year Eligibility Payments</u>	
				<u>Districts</u>	<u>Proration</u>
2013-14	128	\$5,000,000	33.7%	N.A.	N.A.
2014-15	135	5,000,000	32.1	N.A.	N.A.
2015-16	128	7,500,000	60.4	N.A.	N.A.
2016-17	123	7,500,000	51.6	N.A.	N.A.
2017-18	126	12,700,000	84.9	13	51.3%
2018-19	139	13,500,000	71.1	15	57.5
2019-20	136	13,500,000	79.3	22	36.5

7. In its agency budget request, DPI estimated that total transportation costs eligible for reimbursement under the program will be approximately \$15.0 million in each year of the 2021-23 biennium. Therefore, without additional funding, the current annual funding level of \$13.5 million would reimburse approximately 88.7% of eligible costs in each of the next two years, excluding the \$200,000 set aside under current law for payments for districts that lose their eligibility. DPI estimated that \$2.0 million of additional funding would allow the program to fully reimburse 100% of eligible transportation costs, as well as provide \$500,000 for payments for districts that lose eligibility (based on eligibility of \$548,513 in 2019-20), if the current \$200,000 limit on such payments were deleted.

8. Any transportation costs not reimbursed by state or federal aids are included in shared costs under general equalization aids; however, an individual district's equalization aid depends upon the district's relative equalized property value and shared costs, and how the district competes under the equalization aid formula. The overall proportion of a district's unfunded transportation costs that would be aided under the formula would depend on these factors in addition to the district's total transportation costs

9. Assembly Bill 68/Senate Bill 111 would provide an increase of \$2,000,000 GPR annually for high cost transportation aid, which would fully fund payments of 100% of eligible costs in each year based on estimates of eligible costs in the 2021-23 biennium.

10. It could be argued that under the proposal to fully fund 100% of high transportation costs, school districts would not have an incentive to control transportation costs once those costs exceeded 145% of the statewide average per pupil amount. Therefore, fully reimbursing districts for transportation costs above the aid threshold could result in districts that anticipate exceeding the threshold increasing their transportation expenses more than they otherwise would if they were responsible for a portion of the costs. The Committee may wish to consider maintaining the current funding level, which requires districts to pay a portion of their costs and could have the effect of constraining spending.

11. A separate question relates to the proposed elimination of the \$200,000 cap for payments for school districts that qualified for aid in the previous year, but did not qualify in the current year, beginning with aid paid in 2021-22. Under this option, districts qualifying for aid under this provision would be included in the overall calculation of the proration rate under the program, and the same proration rate, if any, would apply to all districts. A consistent proration rate for all qualifying school districts under the program may be preferable to provide more predictable funding for districts that fall in and out of eligibility under the program.

ALTERNATIVES

1. Provide an additional \$2,000,000 GPR annually for high cost transportation aid, to fund 100% of estimated eligible expenses under current law. Additionally, eliminate the \$200,000 cap for payments for school districts that qualified for aid in the previous year, but did not qualify in the current year, beginning with aid paid in 2021-22.

ALT 1	Change to Base
GPR	\$4,000,000

2. Maintain the current level of funding, but eliminate the \$200,000 cap for payments for school districts that qualified for aid in the previous year, but did not qualify in the current year, beginning with aid paid in 2021-22. Under this alternative, payments to all school districts would be subject to the same level of proration.

3. Take no action.

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