



Legislative Fiscal Bureau

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2017

Joint Committee on Finance

Paper #501

High Cost Transportation Aid (Public Instruction -- Categorical Aids)

[LFB 2017-19 Budget Summary: Page 348, #4]

CURRENT LAW

The high cost transportation aid program provides additional transportation aid to school districts with higher per pupil transportation costs compared to the statewide average. A district is eligible for aid if it meets the following two criteria: (a) per pupil transportation cost exceeds 150% of the statewide average per pupil cost; and (b) pupil population density is equal to 50 or fewer pupils per square miles of the district's area. Aid is distributed to eligible districts based on the difference between the district's per pupil transportation cost and the aid threshold of 150% of the statewide average. If appropriated funds are insufficient to pay the full payment amounts, payments are prorated.

GOVERNOR

Provide \$5,200,000 GPR annually above base level funding of \$7,500,000 GPR for high-cost transportation aid.

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 150% 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 1.5 to determine the threshold for receiving aid, or 150% 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 150% 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 150% 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 150% 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 for the aid, 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. In 2015-16, aid was distributed to 128 school districts based on transportation costs in the 2014-15 school year. In that year, the statewide average transportation cost per pupil was approximately \$419, and therefore the threshold above which districts qualified for high cost aid equaled approximately \$628 per pupil. Statewide costs eligible for reimbursement totaled \$12.4 million. Because these costs exceeded the appropriation for high cost transportation aid, aid was prorated at 60.4%. 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 three years in which high cost transportation aid has been distributed.

High Cost Transportation Aid, 2013-14 to 2015-16

	<u>Districts</u>	<u>Appropriation</u>	<u>Proration</u>
2013-14	128	\$5,000,000	33.7%
2014-15	135	5,000,000	32.1
2015-16	128	7,500,000	60.4

6. In its agency budget request, DPI estimated that total transportation costs eligible for reimbursement under the program will be approximately \$12.5 million in each year of the 2017-19 biennium. Therefore, without additional funding, the current annual funding level of \$7.5 million would reimburse approximately 60% of eligible costs in each of the next two years. DPI estimated that \$5 million of additional funding annually would allow the program to fully reimburse eligible

transportation costs in 2017-18 and 2018-19.

7. In the errata materials submitted to the Committee, the Department of Administration requested statutory language to create a stop-gap measure for school districts that qualify for high cost transportation aid in one year but do not qualify the following year. An additional \$200,000 GPR annually was included in the bill to fully fund the stop-gap measure. Under the proposal, a school district would receive 50% of its prior year award in the year in which it became ineligible for high cost transportation aid. The stop-gap measure would have the effect of creating greater financial stability for districts experiencing changes in their membership or transportation costs from year to year. DPI indicates that of the 160 school districts that received high cost transportation aid at least once between 2013-14 and 2015-16, 52 districts have not qualified for aid in at least one of the three years as a result of changes in their per pupil transportation cost. Had the stop-gap measure been in effect for the 2015-16 school year, 20 additional school districts would have qualified for aid totaling \$179,000.

8. 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 150% 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 reimbursing costs at a lower rate, which would require districts to pay a portion of their costs and could have the effect of constraining spending. For example, the Committee could provide funding equal to 90% of the projected costs of the program, which would reduce estimated expenditures by \$1,250,000 GPR annually compared to the bill [Alternative 2a]. Alternatively, the Committee could provide funding equal to 75% of the estimated costs of the program, which would reduce estimated expenditures by \$3,125,000 GPR annually compared to the bill [Alternative 2b].

ALTERNATIVES

1. Approve the Governor's recommendation to provide \$5,200,000 annually above base level funding of \$7,500,000 and create a stop-gap measure (district would receive 50% of prior-year aid in the year a district first loses eligibility) requested in the errata materials submitted to the Committee. It is estimated that this funding level would provide full funding for the program.

ALT 1	Change to	
	Base	Bill
GPR	\$10,400,000	\$0

2. Modify the Governor's recommendation by deleting a portion of the funding provided in the bill, which would require districts to fund a portion of their transportation costs above 150% of the statewide average per pupil amount.

a. Delete \$1,250,000 annually. It is estimated that this funding level would reimburse 90% of eligible costs.

ALT 2a	Change to	
	Base	Bill
GPR	\$7,900,000	- \$2,500,000

b. Delete \$3,125,000 annually. It is estimated that this funding level would reimburse 75% of eligible costs.

ALT 2b	Change to	
	Base	Bill
GPR	\$4,150,000	- \$6,250,000

3. Delete provision.

ALT 3	Change to	
	Base	Bill
GPR	\$0	- \$10,400,000

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