



Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #580

High Cost Transportation Aid (DPI -- Categorical Aids)

[LFB 2019-21 Budget Summary: Page 332, #26]

CURRENT LAW

Under current law, districts qualify for 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.

GOVERNOR

Provide \$2,300,000 GPR above base level funding of \$12,700,000 for high cost transportation aid beginning in 2020-21.

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 2019-20, and clarify that DPI can prorate payments if funding is insufficient to fully fund eligible expenses.

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 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. 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 districts eligible for aid under the program.

6. In 2017-18, aid was distributed to 126 school districts based on transportation costs in the 2016-17 school year. In that year, the statewide average transportation cost per pupil was approximately \$413, and therefore the threshold above which districts qualified for high cost aid equaled approximately \$599 per pupil. Statewide costs eligible for reimbursement totaled \$14.7 million. Because these costs exceeded the appropriation for high cost transportation aid, aid was prorated at 84.9%. Thirteen districts had been eligible in the previous year but did not meet the eligibility requirements in the current year, and received payments equal to 51.3% 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 three years in which high cost transportation aid has been distributed.

High Cost Transportation Aid, 2013-14 to 2017-18

	<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%

7. In its agency budget request, DPI estimated that total transportation costs eligible for reimbursement under the program will be approximately \$14.6 million in each year of the 2019-21 biennium. Therefore, without additional funding, the current annual funding level of \$12.7 million would reimburse approximately 85.6% 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 \$2.3 million of additional funding would allow the program to fully reimburse eligible transportation costs, as well as provide \$400,000 for payments for districts that lose eligibility (based on eligibility of \$389,607 in 2017-18).

8. Under the bill, 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, would be eliminated beginning with aid paid in 2019-20. As a result, 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 would apply to all districts. Based on projected eligible costs in the 2019-21 biennium, the overall proration rate would be an estimated 84.7% in 2019-20 under this provision.

9. 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 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 represent an increase of \$800,000 GPR compared to the base, or a reduction of \$1,500,000 GPR annually compared to the bill [Alternative 2].

ALTERNATIVES

1. Provide \$2,300,000 above base level funding of \$12,700,000 for high cost transportation aid beginning in 2020-21. 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 2019-20, and clarify that DPI can prorate payments if funding is insufficient to fully fund eligible expenses.

ALT 1	Change to	
	Base	Bill
GPR	\$2,300,000	\$0

2. Adopt the provisions of Alternative 1, except provide \$800,000 in 2020-21 above base level funding, which would reimburse an estimated 90% of eligible costs.

ALT 2	Change to	
	Base	Bill
GPR	\$800,000	-\$1,500,000

3. Take no action.

ALT 3	Change to	
	Base	Bill
GPR	\$0	-\$2,300,000

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