



Legislative Fiscal Bureau

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November 17, 2006

TO: Members
Special Committee on Review of State School Aid Formula

FROM: Layla Merrifield, Fiscal Analyst

SUBJECT: Pupil Transportation Costs

The following memorandum provides information related to school district costs for pupil transportation and options for structuring state categorical aid for a portion of these costs.

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 from the school building the pupil is entitled to attend, except under certain circumstances specified in statute. 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.

School districts required to provide 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, which varies according to the distance that each pupil is transported to school. These rates were adjusted under 2005 Act 25, and the appropriation was increased from a base level of \$17,742,500 in 2004-05 to \$20,942,500 in 2005-06 and \$27,292,500 in 2006-07. According to preliminary data from the Department of Public Instruction (DPI), a total of 421 school districts will receive aid in 2006-07 for transporting 519,377 public school pupils, and 42,184 private school pupils in 2005-06. Table 1 shows the rates that apply for 2006-07 and thereafter.

TABLE 1

Pupil Transportation Aid Rates Under Current Law

<u>Distance</u>	<u>Regular Year</u>	<u>Summer School</u>
0-2 miles (hazardous area)	\$15	---
2-5 miles	35	\$4
5-8 miles	55	6
8-12 miles	110	6
12 miles and over	180	6

Department of Public Instruction Budget Request

As part of its 2007-09 budget request, DPI proposes an increase in the reimbursement rate for pupils transported over 12 miles from \$180 to \$220 per pupil in 2007-08 and 2008-09. Aid rates for pupils transported less than 12 miles would remain the same. No additional funding is requested. The Department indicates that base level funding of \$27,292,500 GPR in 2006-07 is projected to be sufficient to fund the estimated additional annual cost of \$900,000 under the proposed increase in the 2007-09 biennium.

Options for Structuring Transportation Categorical Aid

There are several alternative methods that could be used to distribute transportation aid. One example would be to set payment amounts based on the overall length of each bus route, rather than the distance traveled by individual pupils. However, DPI does not currently collect data on overall bus route lengths.

Under current law some categorical aids, such as special education, are paid on a cost reimbursement basis. Transportation costs can vary widely among school districts, based on equipment costs, the size of attendance area, route structure, fuel prices, and other factors. One option for distribution for pupil transportation aid would be reimbursement based on a district's total transportation costs. Such a distribution would provide more aid to districts with unusually high transportation costs. One can argue that the current system of aid, based only on distances traveled by pupils, is less responsive to the variety of factors that might affect costs in a given year.

In 2004-05, for aid paid in 2005-06, transportation costs for school districts ranged from little or no cost, to over \$1,000 per pupil. The statewide average was approximately \$300 per pupil. (For the purposes of this memorandum, transportation costs are the total costs reported as transportation-related, excluding special education and co- and extra-curricular activities for each school district in 2004-05.) The state categorical aid reimbursed approximately 8% of these transportation costs in 2005-06.

If a cost-based approach would be used, the state could set a certain percentage of transportation costs to be reimbursed, and provide that aid amount. Each additional percentage point of reimbursement would cost an estimated \$2.7 million annually.

Another approach to aiding transportation would be to establish a threshold for what could be considered an excessive burden for school districts, and to provide aid to those districts with excess costs. For example, the state could choose to reimburse school districts for transportation costs exceeding 5% of the district's total education costs. (For the purposes of this memorandum, total education costs are taken from 2004-05 school district annual report data from DPI, but exclude food and community services, and facilities costs.)

Table 2 provides the counts of districts with transportation costs at each percentage point of their total costs. As the table indicates, most school districts (322) had transportation costs that were less than 5% of their total costs. For the remaining districts, the statewide costs above the 5% threshold totaled approximately \$8 million in 2004-05. Under an option to structure a categorical aid program to fund the excess burden, the state could fund 50% of these costs for an estimated \$4 million annually.

TABLE 2
Distribution of Transportation Costs as a Percentage of Total Costs

<u>Transportation as % of Total Costs</u>	<u>Count of Districts</u>	<u>Cumulative Count of Districts</u>
0 to 1%	10	10
1 to 2%	31	41
2 to 3%	70	111
3 to 4%	95	206
4 to 5%	116	322
5 to 6%	60	382
6 to 7%	28	410
over 7%	<u>16</u>	426
	426	

Pupil transportation aid is a categorical aid, and therefore outside revenue limits. Resources within the revenue limits would be further limited if districts received less of this categorical aid, if the option for excess burden aid were funded by reallocating existing funding. As a result, it may be desirable to provide this type of aid as a supplement to the aid already being distributed.

LM/lah