

State of Washington
Joint Legislative Audit and Review Committee (JLARC)



K-12 Pupil Transportation Funding Study

Report 06-10

November 29, 2006

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JLARC staff, under the direction of the Committee and the Legislative Auditor, conduct performance audits, program evaluations, sunset reviews, and other policy and fiscal studies. These studies assess the efficiency and effectiveness of agency operations, impacts and outcomes of state programs, and levels of compliance with legislative direction and intent. The Committee makes recommendations to improve state government performance and to correct problems it identifies. The Committee also follows up on these recommendations to determine how they have been implemented. JLARC has, in recent years, received national recognition for a number of its major studies.

**K-12 PUPIL
TRANSPORTATION
FUNDING STUDY**

REPORT 06-10

REPORT DIGEST

NOVEMBER 29, 2006



STATE OF WASHINGTON

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Study Background

Pupil transportation is provided for students in all but two of the State's school districts (Stehekin and Shaw Island). In 2004-05, pupil transportation programs used 7,500 buses to transport over 480,000 students approximately 90 million miles.

Beginning in the 1980-81 school year, the Legislature established a statutory commitment to fund the transportation of eligible students to and from school at 100% or as close thereto as reasonably possible. Subsequent legislation defined an eligible student and the term "to and from school" for pupil transportation. **For the purposes of this study, transportation that is within the statutory language and eligible to generate state funding is called "to/from" transportation.** Transportation that is not eligible for state funding, such as transportation for athletic events, is referred to as "other" transportation.

The State provides funding for pupil transportation using a funding method developed in the early 1980s. This method has not been significantly changed since its development. In the 2005-07 Operating Budget, the Legislature appropriated \$500 million for pupil transportation. \$77 million is earmarked for school bus purchases and replacements. **The remaining \$423 million is for the operations of transportation programs, which is the focus of this study.**

Study Objectives

The 2005-07 Operating Budget mandated this study on the pupil transportation operations funding method. For this study, JLARC reviewed:

- The extent to which districts track or report to/from transportation costs;
- The extent to which the transportation funding method reflects the actual costs of providing to/from transportation;
- Alternative funding methods that may more accurately reflect to/from costs, promote the efficient use of resources, and allow for local control of transportation programs; and
- Whether there are nationally recognized best practices for funding pupil transportation, whether Washington follows best practices, and the extent to which best practices could be applied in Washington.

Tracking and Reporting of Transportation Costs

Districts are not required to track or report to/from transportation costs separately from other transportation costs. On a statewide basis, JLARC found there is no systematic method to account separately for to/from transportation, and the tools that exist for doing so are incomplete and unaudited. Additionally, JLARC found that accounting and reporting of certain transportation costs, such as bus aides, utilities, and insurance, is not consistent across districts.

Does the Funding Method Reflect To/From Transportation Costs? If Not, Why Not?

Because districts are not required to track or report to/from transportation costs, JLARC developed estimates of these costs using two different methods and compared the estimates to state funding. The first, a cost allocation method, allocates transportation program costs between those that are eligible for state funding and those that are not. JLARC applied this method to 57 site visit districts, then applied a modified allocation statewide. The second is a statistical method of estimating to/from transportation costs statewide. The results of the two methods were within 1% of each other.

On a statewide basis, JLARC estimates that there is a 95% probability that to/from pupil transportation expenditures exceeded state revenues by between \$92,619,322 and \$114,376,345 in the 2004-05 school year. 187 pupil transportation programs received less state funding than their statistically expected costs while 76 programs received more state funding than their statistically expected costs. **It is important to note that individual district estimates are less precise than the statewide total.**

JLARC cautions the Legislature to carefully consider how it will appropriate funding for pupil transportation before any decisions are made to provide additional funding to districts. JLARC does not recommend simply increasing the allocation rate used in the current funding method to add approximately \$100 million per year in new funding.

JLARC found significant structural and implementation problems with the current funding method that prevent the method from generating funding that reflects districts' actual costs. These include the fact that funding is based on radius miles rather than the actual road miles driven and that distance weighting factors used to determine funding levels do not appear to reflect actual road miles or actual costs incurred. In addition, definitional issues in statute and Washington Administrative Code (WAC) prevent the method from reflecting all costs. One example is that the WAC definition of shuttles excludes some shuttles that meet the statutory definition of to/from transportation. Further, the current funding method fails to drive operational efficiencies.

Alternative Funding Methods

There are four major approaches to funding used across the nation. It is not possible to choose an approach that meets all of the legislatively-mandated goals equally well, including providing funding that reflects actual costs, maintaining local control, and promoting the efficient use of state and local resources. To determine the best funding approach for Washington, the Legislature must first decide which of its policy goals for pupil transportation are of highest priority.

Best Practices in Transportation Funding

Since funding methods reflect a state's unique political, financial and operational circumstances, there are no widely accepted best practices in funding *methods*. There are, however, best operating practices that promote efficiency in operations and use of resources. Washington incorporates some elements of best operating practices in its current funding method. However, the manner in which they are currently implemented has not necessarily resulted in promoting operational efficiencies.

Recommendations

1. The Legislature should require districts to separately report to/from transportation costs from other transportation costs so that the State can determine the extent to which funding reflects eligible transportation costs.
2. The Superintendent of Public Instruction, in consultation with the State Auditor, should adopt rules and clarify instructions for tracking and reporting transportation costs.
3. The Legislature should review statutory language to ensure that there is clarity around what transportation costs the State intends to fund.
4. OSPI should change its WACs to conform to statute to ensure that all qualifying trips can generate funding by the State.
5. The Legislature should establish a method for providing funds to operate to/from pupil transportation programs that reflects costs and the State's priorities in funding. If the State's highest priorities are local control and reflecting to/from costs, then the Legislature should establish an Approved Cost Method. If the State's highest priority is the efficient use of state and local resources, then the Legislature should establish a Predictive or Efficiency-Driven Formula that reflects to/from costs. In both cases, the Legislature will need to develop a method customized to Washington's needs.

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CHAPTER ONE: INTRODUCTION

STUDY MANDATE & SCOPE

The 2005-07 Operating Budget¹ mandated this study on the state pupil transportation funding method. The mandate required JLARC to:

“Evaluate the extent to which the formula captures the costs of providing pupil transportation for basic education programs. Based on the results of this evaluation, the study shall develop alternative formulas for allocating state funding to school districts for the transportation of students for basic education programs. The alternative formulas shall take into account the legislative definition of basic education programs, promote the efficient use of state and local resources, and allow local district control over the management of pupil transportation systems. In addition, the study shall include a review of the funding mechanisms used by other states and identify best practices.”

To evaluate the cost of providing pupil transportation for basic education programs, **JLARC relied on the statutory language defining what transportation costs are eligible to generate state funding.** The statute states that:

“**Operating costs** as determined under RCW 28A.160.150 through 28A.160.180 **shall be funded at one hundred percent or as close thereto as reasonably possible for transportation of an eligible student to and from school** [emphasis added] as defined in RCW 28A.160.160(3). In addition, funding shall be provided for transportation services for students living within one radius mile from school as determined under RCW 28A.160.180(2). (RCW 28A.160.150.)”

The statute (RCW 28A.160.160 (1)) defines “**eligible student**” as:

“Any student served by the transportation program of a school district or compensated for individual transportation arrangements authorized [by statute] whose route stop is more than one radius mile from the student's school, except if the student to be transported is disabled under RCW 28A.155.020 and is either not ambulatory or not capable of protecting his or her own welfare while traveling to or from the school or agency where special education services are provided, in which case no mileage distance restriction applies.”

The statute (RCW 28A.160.160 (3)) also defines “**to and from school**” as:

- “Transportation of students for the following purposes:
- (a) Transportation to and from route stops and schools;
 - (b) Transportation to and from schools pursuant to an interdistrict agreement pursuant to RCW 28A.335.160;
 - (c) Transportation of students between schools and learning centers for instruction specifically required by statute; and

¹ 2005 Wash. L. ch. 518 § 103(5) (Engrossed Substitute Senate Bill 6090).

- (d) Transportation of students with disabilities to and from schools and agencies for special education services.

Extended day transportation shall not be considered part of transportation of students "to and from school" [citation omitted].”

All estimates of to/from pupil transportation costs in this report are limited to the above statutory language.

DEFINITION OF TERMS

Not all types of pupil transportation are eligible to generate state funding. While both the statute and the Washington Administrative Code (WAC) exclude some pupil transportation from funding, neither uses simple terminology to distinguish between pupil transportation that the State intends to fund and pupil transportation that is excluded from state funding. For purposes of this study, pupil transportation that is within the statutory language will be referred to as **“to/from” transportation** and everything else will be referred to as **“other” transportation**.

In addition, historical language in statute and WAC uses the term **“home to school”** to describe morning and afternoon transportation provided to students between their bus stops and school. This report uses this term and the term **“between home and school”** in the same way.

Unless the context requires otherwise, the terms **“costs”** and **“expenditures”** are used interchangeably throughout this report.

STUDY OBJECTIVES

There are four objectives in this study:

1. To what extent do school districts track or report to/from pupil transportation costs?
2. To what extent does the current pupil transportation funding method reflect the actual costs of providing to/from pupil transportation?
3. Are there alternative funding methods that would more accurately reflect the costs of providing to/from pupil transportation? Do these alternative funding methods both promote the efficient use of state and local resources and allow local control of pupil transportation systems?
4. Are there nationally recognized “best practices” for funding pupil transportation? If so, does Washington follow best practices? To what extent can any existing best practices be applied in Washington?

K-12 PUPIL TRANSPORTATION BACKGROUND

There are 296 school districts in Washington. Pupil transportation is provided for students in all but two of the State’s school districts (Stehekin and Shaw Island).² Most districts own their school buses and operate programs at the district level.

² Students in Dammon and Satsop school districts are served by other districts and are counted by those other districts for funding purposes.

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- Some districts form cooperatives to provide pupil transportation. Six transportation cooperatives provide transportation for 18 districts. Each cooperative arrangement is different. At one end of the spectrum are arrangements between two districts that share only the cost of administration and maintenance while each district owns and operates its own buses with its own employees. At the other end of the spectrum is the KWRL cooperative which is a separate entity under Woodland School District providing pupil transportation for Kalama, Woodland, Ridgefield, and La Center school districts. KWRL has its own employees that provide services for all the cooperative districts and Woodland receives state funding directly for the services KWRL provides to all four districts.
- Fifteen districts contract with private carriers for some or all of their pupil transportation. Most of these contracts specify a base rate for routes between home and school and a separate set of rates for shuttles during the day, field trips, and extra curricular activities. Some contracts include fuel and aides; others either do not include these expenses or they cap fuel charges included in the contract.
- Four of Washington's nine Educational Service Districts (ESDs) provide limited pupil transportation for school districts. Of these programs, only ESD 112, in southwest Washington, transports a large number of students on an ongoing basis. ESD 112 operates a 23-district transportation program to provide transportation for students with specialized transportation needs, mostly special education students and students needing inter-district homeless transportation.

Across the state, pupil transportation programs used approximately 7,500 buses³ to transport 483,250 Washington students on 25,000 bus routes. Altogether, these buses traveled an estimated 90 million miles during the 2004-05 school year.⁴

K-12 PUPIL TRANSPORTATION FUNDING

Total state funding for pupil transportation operations has increased from \$228 million of state general funds in the 1987-89 budget to \$500 million in the 2005-07 budget. Of the \$500 million appropriated for pupil transportation in 2005-07, \$77 million was earmarked for bus purchase and replacement.⁵ **The remaining \$423 million was for operations of to/from transportation.**

Two major factors that can cause increases in state spending for pupil transportation are inflation and an increase in the number of enrolled students. To determine whether the State's level of funding has changed, one must control for these two factors. The easiest way to do this is to look at funding per enrolled student using inflation adjusted dollars. Washington State typically uses the Implicit Price Deflator to adjust for inflation. Figure 1 shows the biennial pupil transportation **appropriations per enrolled student** in 2005-07 dollars.⁶ While the dollar amount in the budget has increased, funding per enrolled student has remained relatively constant over the years.

³ The total buses figure reflects the number of buses used on routes during the week in which districts provide counts of their ridership to generate state funding. The figure does not include spare buses or buses not in use during count week.

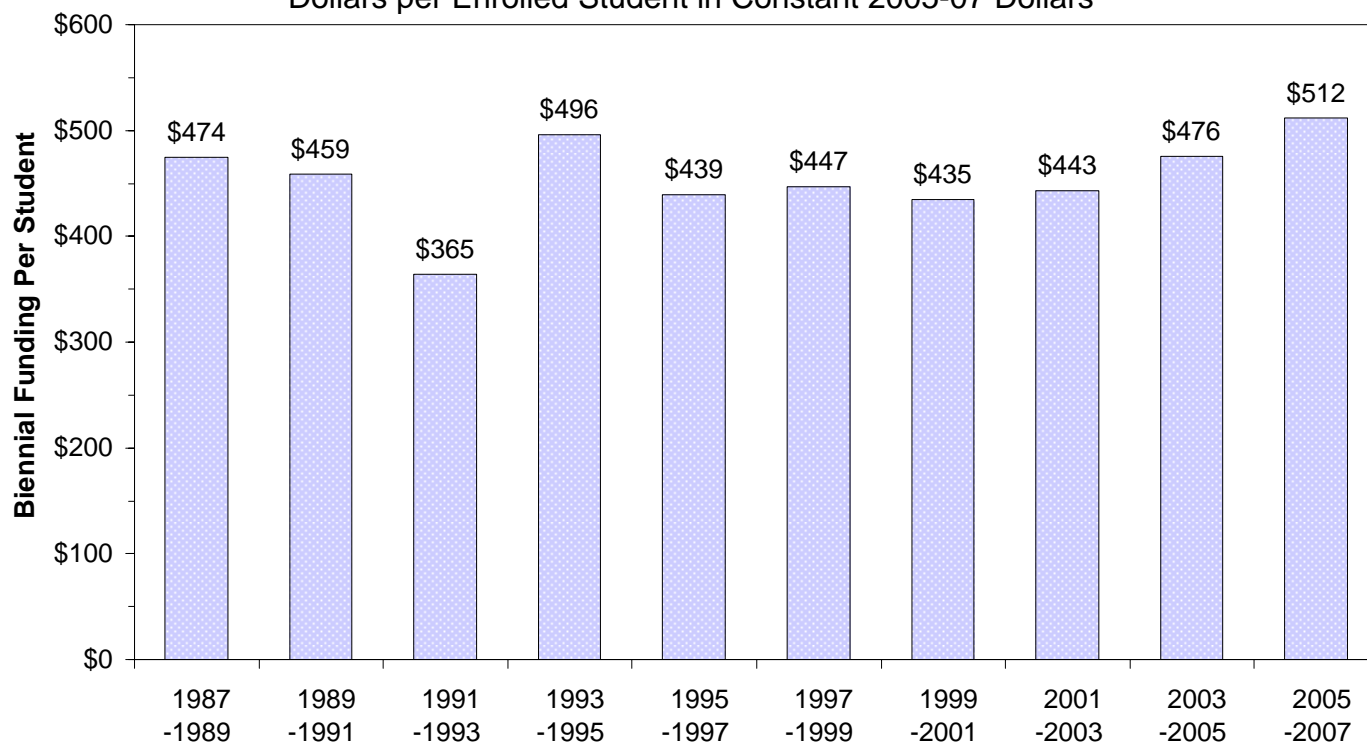
⁴ OSPI, Organization and Financing of Schools (2006), p. 72.

⁵ JLARC Report 05-5 addressed the capital costs of pupil transportation.

⁶ Funding prior to 2005-07 constant dollars using the LEAP Biennial Fiscal Year-Based Implicit Price Deflator found at <<http://leap.leg.wa.gov/leap/analysis/inflation.asp>>. The 2005-07 calculation is an estimate because final enrollment and biennial funding numbers will not be available until 2007.

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Figure 1 – State Pupil Transportation Funding:
Dollars per Enrolled Student in Constant 2005-07 Dollars



Source: LEAP and legislative budget notes. Dollars prior to 2005-07 adjusted using LEAP Biennial Implicit Price Deflator.

STUDY APPROACH

JLARC staff reviewed data from the 2004-05 school year, the most recent year for which there was complete pupil transportation data, including ridership, funding, expenses, and mileage. **JLARC determined that statewide reporting of financial information does not distinguish the costs of to/from transportation from other transportation. As a result, JLARC staff collected this information directly from site visit districts and developed methods for estimating to/from costs for other districts.**

Mileage data was necessary to develop any estimate of to/from costs and the annual mileage report, although unaudited, was the most reliable source for this information. This report utilizes the unaudited mileage report data. In compliance with Government Auditing Standard 7.61, the body of the report discusses the limitations of this data, the manner in which JLARC tested the methodology of collecting and reporting the data, and how it was used in JLARC's analysis.

Following a survey of district pupil transportation programs in which 257 of 292 (88%) district pupil transportation programs and two of the four ESD transportation programs responded, JLARC staff selected 57 districts and one ESD for further study. JLARC selected districts to reflect the State in location and geography, enrollment, type of program (i.e., district operated, contracted, or multiple district cooperative), proportion of special education students, and whether the district had a high school. JLARC also examined the group of site visit districts as a whole to ensure that it was reflective of the State in terms of pupil density (pupils per square mile) and other factors including English language learners, free and reduced price lunch enrollment, and staff with advanced degrees. JLARC staff made site visits to the ESD and 49 of

the 57 districts and studied the remaining eight districts using a combination of submitted documents and telephone interviews.

In addition, JLARC contracted with a pupil transportation consulting firm to conduct a 50-state survey of state pupil transportation funding methods, to identify best practices in funding, and to perform part of the analysis of the allocated cost data developed by JLARC.

The study also draws from industry literature, legislative and OSPI documents, interviews with current and former OSPI and legislative staff, as well as legislative and legal history.

REPORT ORGANIZATION

Chapter 2 provides a historical background of pupil transportation in Washington. This background includes an explanation of the current pupil transportation funding method and its development.

Chapter 3 begins with study Objective 1 and explains what reporting is required for districts and how current reporting by itself does not answer the question “what are the districts costs for providing to/from pupil transportation for eligible students?” It then answers study Objective 2 by discussing the estimated funding variance.

Chapter 4 examines why the current funding method produces a funding variance by analyzing the method against six criteria.

Chapter 5 addresses Objectives 3 and 4 of the study. To answer Objective 3, it examines the four major approaches to funding nationwide and addresses why it is not possible to have a funding method that completely fulfills all the criteria specified in the study mandate. The Chapter then turns to Objective 4 and discusses the difference between “operational” and “funding” best practices and how funding methods can be used to promote operational best practices. It closes with a discussion of whether Washington follows best operating practices.

In **Chapter 6**, the study findings are summarized and paired with the JLARC recommendations.

CHAPTER TWO: HOW DOES THE STATE FUND PUPIL TRANSPORTATION?

HISTORY OF PUPIL TRANSPORTATION FUNDING IN WASHINGTON

Article 9 Sections 1 and 2 of the Washington Constitution state that it is the “paramount duty of the State to make ample provision for the education of all children residing within its borders” and that the Legislature must “provide for a general and uniform system of public schools.” The State provides funding for both constitutionally required and other programs.

Since 1909, the State has provided funding to transport students to and from school.⁷ Over the years, the State has used both a reimbursement method and a per unit allocation funding method to pay for the operating costs of transporting students to and from school by school bus, public transit, district-owned vehicles, and, in some cases, private vehicles. Below is a brief history of pupil transportation funding in Washington. The funding described here is for pupil transportation operating costs only; funding for the capital expense of purchasing school buses is provided through a separate funding formula and is not covered in this report but was the subject of JLARC Report 05-5.

PRIOR TO 1981: REIMBURSEMENT METHOD OF FUNDING TRANSPORTATION

In 1969, the Legislature enacted the Common School and Higher Education Code which established a reimbursement method for funding pupil transportation separate from the general state assistance provided to public schools.⁸ **With this method, districts reported their transportation operating costs to OSPI and were reimbursed for a percentage of approved costs.** Under the 1969 law, reimbursement was limited to 90% of the lesser of state approved district route costs or the state-defined average cost per vehicle mile.⁹ By the mid 1970s, the basis for funding shifted to a ratio of reimbursable to non-reimbursable miles reported daily by districts to OSPI. Depending on the total amount the Legislature appropriated for pupil transportation, districts either received full funding for their “reimbursable” costs or a prorated share of the statewide appropriation if the appropriation was lower than “reimbursable” costs statewide.

Following multiple levy failures in many school districts in the 1975-76 school year, the Seattle School District and others sued the State, claiming that the State had not fulfilled its constitutional obligation to amply fund educational programs. In response to this lawsuit, the Legislature passed **the 1977 Basic Education Act**,¹⁰ setting out the goals of basic education, broad curriculum requirements, and funding formulas. There were several programs in this Act, including pupil transportation, which the Act did not define as part of basic education. Among other things, sections of this Act specifically addressed the transportation of eligible students to

⁷ Seattle School Dist. No. 1 v. State, No. 81-2-1713-1, Thurston Co. Sup. Ct. (Sept 7, 1983), Finding of Fact 8.2.

⁸ 1969 Washington L., 1st Extra. Sess. ch 223.

⁹ There were different average costs for different classes of vehicles, and these were determined by OSPI.

¹⁰ 1977 Wash. L. 1st Ex. Sess. ch. 359 (*hereafter* the Basic Education Act).

and from school and **raised the reimbursement limit** to “*up to one hundred percent*” for the 1978-79 and 1979-80 school years and to “**one hundred percent or as close thereto as reasonably possible**” beginning with 1980-81 school year.

1981-1983: ESTABLISHMENT OF A PER UNIT ALLOCATION FUNDING METHOD FOR TRANSPORTATION

Around the same time that the State established a statutory commitment to fund eligible pupil transportation costs at 100% or as close thereto as possible, the 1981 Legislature passed Substitute Senate Bill 3845, which **changed transportation funding from a reimbursement method to a per unit allocation method**. This Act defined an eligible student and instructed OSPI to develop two types of allocation rates to reimburse districts for **home to school** transportation and for **other approved transportation** purposes (i.e., transportation between schools and/or learning centers and transportation for qualifying interscholastic activities).

Several legal and statutory events in the early 1980s led to the development of the funding method that exists today.

- A superior court ruling in 1983 known commonly as “*Doran II*” concluded that the State must fully fund the educational programs established in the 1977 Basic Education Act, “including a necessary transportation program at 100% or as close thereto as is reasonably possible.”¹¹ *Doran II* found that transportation funding had been reduced each year since the Basic Education Act passed.¹² While the Court declined to define the limits of the pupil transportation program for the Legislature and held that “there is no constitutional requirement to transport all children to and from school under all circumstances,” the Court made a number of findings and conclusions throughout its opinion regarding circumstances under which transportation must be provided.¹³
- Following the oral opinion in “*Doran II*,” the Legislature amended the statutes outlining its responsibility to fund pupil transportation. These amendments largely track the Court’s findings and conclusions. The 1983 amendments struck the requirements that listed the bases for the rates and established new eligibility criteria for transportation funding that are still in place today. Figure 2 illustrates the major funding changes made between 1981 and 1983. The bold text highlights the differences between the earlier language and later amendments.

¹¹ Seattle School Dist. v. State, No. 81-2-1713-1, Thurston Co. Sup. Ct., Declaratory Judgment 6 (hereafter, *Doran II*). *But see*, Brown v. State, 155 Wn. 2d 254, 119 P. 2d 341 (2005) noting that *Doran II* was not appealed and is not binding precedent (*Id.*, n. 2).

¹² *Doran II*, Finding of Fact 8.29.

¹³ *Doran II*, Conclusion of Law, 34; Declaratory Judgment 2, Findings of Fact 8.10, 8.11, 8.13, 17.9, and Conclusions of Law 54 and 56.

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Figure 2 – Overview of 1981-83 Funding Method Amendments

Key Elements	1981-82 Statute	1983 Statute
Student Eligibility	<ul style="list-style-type: none"> • Any student whose route stop is more than one mile from school • No mileage restriction applies to any student <ul style="list-style-type: none"> ➤ who is handicapped and not ambulatory or not capable of protecting own welfare 	<ul style="list-style-type: none"> • Any student whose route stop is more than one radius mile (straight line mile) from school • No mileage restriction applies to any student <ul style="list-style-type: none"> ➤ who is handicapped and not ambulatory or not capable of protecting own welfare ➤ or qualifies for an exemption due to hazardous walking conditions¹⁴
Eligible Trip Types	<ul style="list-style-type: none"> • To and from school; • Between schools or learning centers when their basic education or other programs are offered in two or more locations; and • Participating in interscholastic activities or other activities deemed eligible for funding by the State Board of Education 	<ul style="list-style-type: none"> • To and from route stops and schools • To and from schools pursuant to interdistrict agreement • Between schools and learning centers for instruction specifically required by statute • Transportation of handicapped students to and from schools and agencies for special education services
Allocation Rate	<ul style="list-style-type: none"> • OSPI to develop two allocation rates for home to school and other approved routes to cover the costs of: <ul style="list-style-type: none"> ➤ salaries and benefits ➤ non-employee related costs such as insurance, fuel, maintenance, supplies and materials, ➤ factors such as climate, terrain, and non-passenger miles 	<ul style="list-style-type: none"> • OSPI to calculate a single per mile allocation rate which may be adjusted to include factors for: <ul style="list-style-type: none"> ➤ distance ➤ restricted passenger load ➤ special types of vehicles ➤ handicapped student load, and ➤ small fleet maintenance
Funding Exclusions	<ul style="list-style-type: none"> • Field Trips 	<ul style="list-style-type: none"> • Extended day transportation for before and after school programs

¹⁴ “Hazardous walking conditions” is defined in statute as “those instances of the existence of dangerous walkways documented by the board of directors of a school district which meet criteria specified in rules adopted by SPI. A school district that receives an exemption for hazardous walking conditions should demonstrate that good faith efforts are being made to alleviate the problem and that the district, in cooperation with other state and local governing authorities, is attempting to reduce the incidence of hazardous walking conditions.” 1983 Washington Laws 1st Ex. Sess. Ch. 61, section 3, subsection 4.

There were several **noteworthy changes** as a result of the 1983 amendments to the funding method.

- **Field trips** were no longer explicitly *excluded* from funding eligibility, and transportation for **interscholastic activities** was no longer explicitly *included*. However, the Washington Administrative Code adopted by OSPI has excluded both field trips and extracurricular trips from eligibility for funding.¹⁵
- The 1983 amendments removed the mandate that the allocation rate be tied to the direct costs of running the program, such as the costs of salaries, benefits, and major non-employee related costs. Instead the statute instructed OSPI to calculate a standard student mile rate without specific guidance on what the rate must be based.

1983 TO PRESENT: CHANGES TO THE ESTABLISHED FUNDING METHOD

There have been four significant changes to the funding method since 1983.

- In 1992, the Washington Administrative Code **established distance weighting factors for special education routes** that were separate from regular education distance weighting factors already in existence. These factors are explained in more detail in the next section, which describes how the funding method operates. The 1992 WAC also adjusted existing funding levels for both regular and special transportation when a district's average ridership per bus is less than 74 students.
- The 1995 budget **eliminated small fleet maintenance funding**, which provided extra compensation for districts with fleets of ten or fewer buses.
- The 1996 Legislature replaced funding for transporting students due to hazardous walking conditions with a special per pupil funding formula based on the number of students in Kindergarten through fifth grades living within one radius mile of their school of enrollment.
- In 2001, OSPI adopted a new route type in Washington Administrative Code that allows districts to pick up a very limited number of regular education students on a special transportation home to school route and continue to receive funding for that route as special transportation.

HOW THE FUNDING METHOD CURRENTLY OPERATES

Aside from the changes noted above, the per unit allocation method currently used to fund pupil transportation matches the 1983 statute and the 1984 rules adopted by OSPI in the Washington Administrative Code (WAC). Below is a description of how the method operates in practice. Following this explanation is a table demonstrating how the method works for a hypothetical district.

¹⁵ WAC 392-141-120; *see also* Doran II, Conclusions of Law, 27 (holding that the state is not obligated to fully fund extracurricular activities).

Five Major Factors Drive Funding

- A. Student Count** (also known as the **Ridership Count**) — Students are counted as they get on the bus in the morning for five consecutive days at the beginning of each school year. Statistical modes¹⁶ are then used to calculate a student count for every bus stop on every bus route in each district.
- B. Number of Trips per Day** — Most routes have two trips per day (morning and afternoon). However, some trip types have one trip per day, or run less than four days per week and are prorated accordingly. These trips include shuttles between schools and/or learning centers that may only run once or twice a week.
- C. Distance Between Bus Stops and School** — This distance is determined by measuring the straight line distance between a bus stop and the school it serves, also known as the radius mile. Districts are **funded up to a maximum of 17 radius miles** for each student counted.
- D. Distance Weighting Factor per Radius Mile** — OSPI established regular and special transportation¹⁷ distance weighting factors in WAC for each radius mile between bus stops and schools, learning centers, or special education agencies.¹⁸ The distance weighting factors are used to “weight” the student count, resulting in more funding for longer distances. The regular and special transportation distance weighting factors are used for 11 different types of trips, including home to school (known as basic tripper routes); in lieu or private party contract transportation, which is transportation provided by a private individual under special circumstances; public transit trips (where the district provides passes or tokens for student riders); shuttles of varying frequency between schools and/or learning centers or special education agencies; and midday Kindergarten pick up and drop off.
- E. Allocation Rate** — A per weighted student allocation rate is set by the Legislature and adjusted each year in the Appropriations Act.¹⁹ In 2004-05, the allocation rate was \$40.66. This rate is multiplied by the student count, number of trips per day and distance weighting factor to determine funding amounts.

Example of How Funding Method Works for a Hypothetical District

To illustrate how the funding method works, we have applied it to a hypothetical district in Figures 3 and 4. In this example, the district is transporting 40 students on four different routes. For simplicity, each hypothetical route has only one bus stop, which is located two radius miles from the

¹⁶ The mode is the most frequently occurring number in a data count. For example, if the 5-day student counts for a bus stop were 3, 4, 4, 2, and 4, then the mode would be 4 students for that bus stop. If the student count is different every day of the week, then an average is used.

¹⁷ Special transportation routes are routes that exist to “transport students who, due to the nature of their educational programs, require special transportation from home to school.” This includes special education students; students who require transportation due to a disability under Section 504 of the Rehabilitation Act of 1973; and gifted and bilingual students whose programs require special routes. This category also includes to/from transportation required by the McKinney-Vento Act for homeless students. OSPI Bulletin No. 083-05, Pupil Transportation and Traffic Safety Education, Attachment 1 — General Instructions for Data Collection, Explanation under Route Type S.

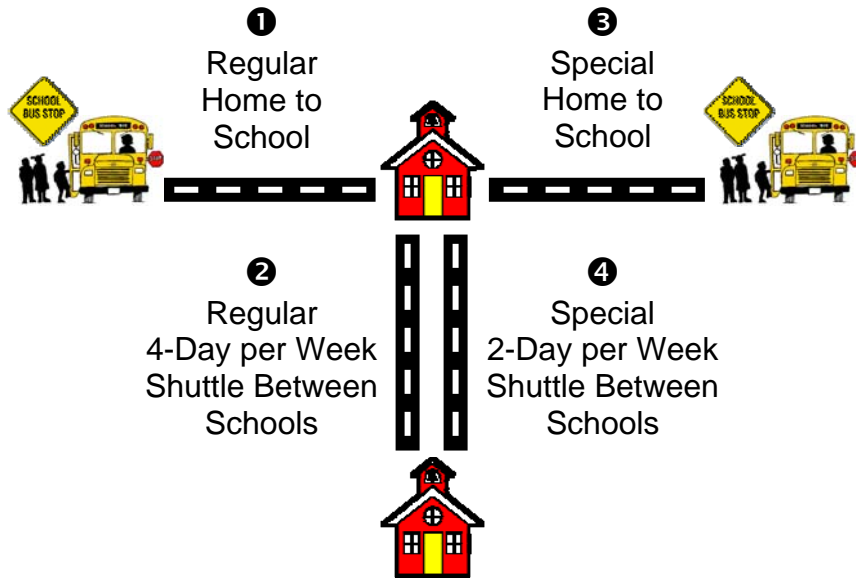
¹⁸ WAC 392-141-170 (3) contains a table of the distance weighting factors. The regular transportation factors were adopted in 1984 and special transportation factors were adopted in 1992.

¹⁹ Although the statute defining the pupil transportation formula requires OSPI to calculate a standard per mile allocation rate (see RCW 28A.160.180), Washington Administrative Code 392-141-130 states that the rate is established by the Legislature and that is current practice. The allocation rate is adjusted annually in the budget to account for employee salary and benefit increases and to make inflationary adjustments for non-employee related costs using the Implicit Price Deflator.

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school. First we show an illustration of the four bus routes. Then we show how the funding method is applied to determine annual funding levels for each of these routes.

Figure 3 – Illustration of Four Bus Route Types
(Each route = 2 radius miles)



Source: JLARC.

Figure 4 – Example of Formula Calculations for a Hypothetical District

	A	B	C	D	E	
Hypothetical Routes	Student Count (modes)	Funded Trips per Day	Radius Miles Between Bus Stop and School	Distance Weighting Factor <small>(for stop at 2 radius miles)</small>	Allocation Rate	Annual Funding <small>(A x B x D x E)</small>
Route 1 - Regular Home to School	10	2	2	3.20	\$40.66	\$2,602.24
Route 2 - Regular 4-Day per Week Shuttle Between Schools	10	1 (shuttles counted 1 way)	2	3.20	\$40.66	\$1,301.12
Route 3 - Special Home to School	10	2	2	4.89	\$40.66	\$3,976.55
Route 4 - Special 2-Day per Week Shuttle Between Schools	10	0.4	2	4.89	\$40.66	\$795.31
Total						\$8,675.22

Additional Funding Adjustments

Beyond the five major funding drivers, the current funding method includes other adjustments that may significantly impact the amount of state funding a district receives.

- **Minimum Load Factor** — The funding method provides extra funding to districts that have **average bus loads of less than 74 students** for their regular morning home to school routes. OSPI reports that this factor was designed to compensate districts that are unable to fully load their buses but WAC states it is intended to achieve efficient bus loads. A district may not fully fill buses due to geography, pupil density, desegregation plans, or school choice and program decisions. Funding amounts are determined by the ratio of students transported on home to school routes to the total number of buses used by the district for these routes. In 2004-05, **200 school districts and three Educational Service Districts received minimum load funding**. Total annual funding amounts ranged from \$1,124 (Orchard Prairie School District) to \$1,589,826 (Seattle School District). Minimum load funding represented approximately 10% of total state pupil transportation funding.
- **Special Education Load Factor** — Additional funding is provided for all special transportation home-to-school routes. The special load factor amount varies depending on the number of riders on each bus route and reflects the fact that the special needs of these students limit the number of students that can be placed on each bus. Funding decreases as average bus load size increases and is capped at 74 students. This additional funding is included in the base amount districts receive for special transportation routes, which makes it difficult to separate out the amount of total state special load funding.
- **Kindergarten Through Fifth Grade Enrollment Funding** — To compensate districts that need to transport **students that live one radius mile or less from their destination school**, the State allocates funding based on the number of kindergarten through fifth grade students in the district who live one radius mile or less from their enrolled school.²⁰ Students living within these distances typically do not generate funding under the funding method described in Figure 4 because the funding method excludes regular transportation bus stops within one radius mile of the school. Districts may need to transport some of these students because they are unable to access safe walking routes.²¹ In 2004-05, **289 school districts received K-5 enrollment funding** and total annual amounts ranged from \$52.45 (Benge, Liberty, North River, and Washtucna School Districts) to \$556,719 (Spokane School District). This funding represented approximately 6% of total state pupil transportation funding.
- **District Car Allocation** — The State also allocates funding to districts for to/from transportation provided by district-owned cars and vans. Districts use cars and vans for a variety of purposes, including shuttling a single student between programs or transporting a homeless student to another district. The allocation is based on a 180-day school year and a declining rate for each 50-mile increment of daily miles driven per car. For example, the first 50 miles are funded at \$.745 per mile and the next 50 miles at \$.54 per mile. Anything over 250 miles is paid for at a flat rate of \$.12 per mile. This rate is intended to cover the operations and depreciation of district-owned vehicles. In 2004-05, **76 school districts received district car allocation funding** and the total annual amounts ranged from \$268.20

²⁰ The K-5 enrollment count is based on the number of students living one radius mile or less from their destination school during the 5-day count week determined by each district in the beginning of every school year.

²¹ WAC 392-151-025 requires the development of walking routes for each elementary school where students are walking to and from school. The WAC specifies elements that the walking route plan must contain as well as issues to consider when developing the plan.

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(Cheney, Rainier, and Ritzville School Districts) to \$85,642 (Everett School District). This funding represented less than 1% of total state pupil transportation funding.

CHAPTER THREE: DOES THE FORMULA REFLECT DISTRICT TO/FROM TRANSPORTATION COSTS?

CHAPTER OVERVIEW

This chapter is structured in two parts. The first part answers study Objective 1: To what extent do school districts track and report to/from costs separately from other costs? It begins by explaining what “to/from” costs are and why they must be separated from “other” costs in order to determine whether funding reflects to/from costs. It then explains what districts are required to report and why required reporting does not answer the question whether the funding method reflects districts’ operating costs for providing to/from pupil transportation.

Second, the chapter answers Objective 2: To what extent does the current pupil transportation funding method reflect the actual costs of providing to/from pupil transportation? In doing so, it includes an explanation of the methods JLARC used to develop estimated costs for comparison to state funding.

OBJECTIVE 1: TO WHAT EXTENT DO DISTRICTS TRACK AND REPORT TO/FROM COSTS SEPARATELY FROM OTHER COSTS?

What are To/From Costs?

RCW 28A.160.150 is clear that **only the operating costs of transporting “eligible” students “to and from school” are eligible to generate state funds.** RCW 28A.160.160(1) defines “eligible student” as:

“Any student served by the transportation program of a school district or compensated for individual transportation arrangements authorized by RCW 28A.160.030 whose route stop is more than one radius mile from the student’s school, except if the student to be transported is disabled under RCW 28A.155.020 and is either not ambulatory or not capable of protecting his or her own welfare while traveling to or from the school or agency where special education services are provided, in which case no mileage distance restriction applies.”

RCW 28A.160.160(3) defines “to and from school” as:

“the transportation of students for the following purposes:

- (a) Transportation to and from route stops and schools;
- (b) Transportation to and from schools pursuant to an interdistrict agreement [statutory references omitted];
- (c) Transportation of students between schools and learning centers for instruction specifically required by statute; and

- (d) Transportation of students with disabilities to and from schools and agencies for special education services.

Extended day transportation shall not be considered part of transportation of students "to and from school" for the purposes of chapter 61, Laws of 1983 1st ex. sess."

In this study, operating costs for these routes are called "**to/from**" costs and all other pupil transportation costs are called "**other**" costs. For the purpose of readability, this report uses the terms "costs," "expenditures," and "expenses" interchangeably.

To determine which costs were for to/from transportation, JLARC staff examined what information school districts are required to report to the State and whether that information could be used to separate to/from costs from other transportation costs.

What Are Districts Required to Report?

State law requires school districts to submit three annual reports that are relevant to this study. These reports are detailed in various WAC sections and are submitted to the Office of Superintendent of Public Instruction (OSPI).

- The Ridership Report: This report identifies the number of students being transported. It is used to generate funds and was discussed briefly in Chapter 2 and will be addressed in more detail in Chapter 4. As Chapter 2 indicated, the ridership number represents a statistical mode of student counts for particular distances from schools and is generated over a five-day period early in the school year.
- The Mileage Report: Districts must report the miles traveled for to/from transportation, field trips, and extra curricular activities and the estimated mileage for the next year.
- The Annual Financial Statement: Referred to as the "F-196 Report," this is a summary financial statement prepared according to the *Accounting Manual for Public School Districts* (Accounting Manual). It identifies local, state, and federal revenues and separately summarizes all expenditures by program. Programs include various curricular programs, district-wide expenses, food services, and pupil transportation, among others. Program summaries are laid out by activities, such as supervision, operations, and maintenance. Each activity has a number of objects, such as salaries and supplies. This structure creates a set of **cost categories** for each program, **for example, pupil transportation operations salaries** is one cost category relevant to this report. The financial statement provides the total expenditures for each cost category.

Why the Standard Financial Statement Does Not Reflect Actual To/From Costs

The financial statement does not identify to/from costs separately from total pupil transportation costs. There are six reasons it does not do so.

1. The financial statement shows total pupil transportation program costs but to/from transportation is only part of the program.

In Washington, **districts report all pupil transportation costs together without separating to/from costs from other costs.** Most pupil transportation cost categories contain costs for both to/from and other pupil transportation. For example, driver salaries

and benefits categories include all salaries and benefits paid to bus drivers, whether they are paid for driving to/from routes or driving the football team to a game. To identify to/from costs, the salary and benefits costs attributable to other transportation must be removed. **The standard financial statement does not split costs this way.**

2. The financial statement does not attribute indirect costs to pupil transportation.

School districts report costs on a **program basis**. This means that the financial statements show only the pupil transportation program's direct costs, not the portion of district-wide indirect costs attributable to the program. District-wide or "indirect" costs include things like the physical plant and facilities and centralized district services such as the superintendent's office, business office, personnel and information technology. Each district has a different percentage of allowable indirect costs, which is established by the State.

Because there are different types of transportation programs (e.g., district-operated, cooperatives, and contracting), it is not possible to create a standard allocation of indirect costs without risking misstating to/from pupil transportation costs in unpredictable ways. For this reason, **this report examines only the direct costs of pupil transportation programs, recognizing that doing so understates total costs.**

3. Accounting mechanisms used to transfer costs between programs are neither consistent nor audited.

Debit and Credit Transfers could be tools for separating to/from and other pupil transportation costs because they are used to move costs from the program that performs a service to the program that uses the service. These transfers are used commonly in school district accounting, including accounting for pupil transportation.

Debit Transfers charge pupil transportation for costs another program incurred to provide pupil transportation with services. **The most common debit transfers in pupil transportation are for printing and motor pool vehicles.** For example, if a mechanic drove a motor pool car to buy a replacement part for a bus, pupil transportation would show a debit transfer to the motor pool. This debit increases costs to pupil transportation, which is responsible for the use, and reduces costs to the motor pool. In the financial statement, this debit would be aggregated with all other debits from programs throughout the district and only the total of all debits would appear on the financial statement. Consequently, debits for to/from costs cannot be separated from those for other costs.

Credit Transfers charge other district programs for costs that pupil transportation incurred by providing transportation services to that program. **The most common credit transfers in pupil transportation are for field trips and extra curricular activities.** For example, if a civics class takes a field trip to the Legislature, the classroom or building that requested the field trip is responsible for the expense. These credit transfers are intended to shift transportation costs to the responsible programs, reducing the amount of total pupil transportation costs.

OSPI has suggested a method for calculating credit transfers for pupil transportation trips, but **districts are not required to use this method.** There are many methods in use. They range from charging at the state mileage rate to elaborate calculations incorporating

a portion of the district's indirect costs. Contracting districts and some other districts have multiple rates depending on the type of trip.

At this time, the State Auditor does not generally audit credit transfers or compare them to the mileage report and has not audited the mileage report. **Because credit transfers are not audited and are inconsistently calculated, they cannot be used to reliably identify the amounts of other transportation costs on district financial statements.**

4. Some pupil transportation costs are billed directly to other internal organizations, but the financial statement does not separately identify these billings or the resulting revenues to pupil transportation.

The Accounting Manual requires extra-curricular costs that are the responsibility of the Associated Student Body to be billed directly to that organization. Associated Student Body trips include some athletic trips and trips taken by student clubs. Some districts also bill curricular programs directly for field trips.

Neither direct internal billings nor the revenues from them appear in the pupil transportation portion of the financial statement and one cannot reliably tell how charges were calculated or whether the charges were billed. Consequently, there is no way to uniformly exclude these charges from each district's operating costs of providing to/from transportation without obtaining additional information not currently reported to the State.

5. Some pupil transportation costs are billed directly to outside organizations and the financial statement does not discretely identify these billings.

Districts sometimes directly bill organizations that sponsor trips such as ski schools or field trips. These costs show in the transportation portion of the district's financial statement but they cannot be discretely identified. This makes it difficult to determine what portion of the total transportation costs are for "other" transportation.

6. Some categories of expense are reported differently from district to district.

The Accounting Manual provides extensive guidance on reporting costs, but instructions for classifying some specific expenses are ambiguous or districts have interpreted them inconsistently. The result is that some districts report certain types of costs in the pupil transportation program but other districts report the same costs in other programs. Three areas in which there are ambiguous or unclear instructions are:

- A. Bus Aides. The Accounting Manual does not require bus aides' salary and benefits to be expensed to a particular program. In addition to the pupil transportation program, bus aides can be charged to: (a) Special education, when the aide is required due to a student's Individual Education Plan; (b) Pre-kindergarten programs, when federal law requires bus aides on to/from routes; and (c) Basic education, for bus aides whose role is to intervene with behavior problems or student safety.
- B. Utility and Energy Costs. The Accounting Manual lists utility and energy costs as an "activity" and requires costs in this activity to be reported to a district-wide program, not pupil transportation. However, the same list of utility costs appears under the "purchased services" cost category, which may be charged to transportation. In talking with districts, we discovered that some have interpreted this as permitting

districts to charge utility costs to transportation as a purchased service. Consequently, reporting of utility costs is inconsistent across the State.

- C. Insurance. The Accounting Manual instructs districts to include vehicle and liability insurance costs in pupil transportation. Some districts, however, include all these charges in the district-wide program rather than transportation. This reporting inconsistency means that vehicle insurance, a significant cost, is not consistently reflected in district financial statements.

Taken together these six reasons led to the following findings and recommendations.

FINDINGS AND RECOMMENDATIONS

FINDING:

On a statewide basis, there is no systematic method to account separately for to/from transportation, and the tools that do exist are incomplete and not audited.

The financial statement shows only total direct transportation program costs and these total costs are not reported consistently across the State. The financial statement does not assign indirect costs to pupil transportation or separate to/from pupil transportation costs from other pupil transportation costs. The primary tool used to distinguish to/from pupil transportation costs from other costs is the system of debit and credit transfers, but these are not consistently calculated or applied and they are not audited for accuracy or compared to the mileage report. In addition, some pupil transportation costs are billed directly to other entities, which prevents an accurate accounting of these costs and a full identification of transportation revenues.

FINDING:

Accounting and reporting of certain transportation costs is not consistent across districts.

The Accounting Manual provides adequate information for reporting almost all transportation costs. However, further clarification would ensure consistent reporting of bus aide and utility costs. In addition, districts report vehicle and liability insurance inconsistently.

RECOMMENDATION 1:

The Legislature should require districts to separate to/from transportation costs from other transportation costs when reporting transportation expenditures so that the State can determine the extent to which funding covers eligible transportation costs.

RECOMMENDATION 2:

The Superintendent of Public Instruction, in consultation with the State Auditor, should adopt rules and clarify instructions for transportation expenditures. These include:

- Adopting a standard method for calculating credit transfers and requiring all districts to use the standard method. The method should be auditable and tie miles reported for credit transfer purposes back to the mandatory mileage report.
- Clarifying whether districts may continue to directly charge another program, such as the Associated Student Body, or outside organization for “other” transportation costs rather than using credit transfers. If so, the Superintendent should provide a means of applying these charges and revenues to the pupil transportation program.

- Clarifying Accounting Manual instructions concerning charging bus aides and utilities to the pupil transportation program.
- Enforcing Accounting Manual instructions concerning charging insurance to the pupil transportation program.

OBJECTIVE 2: TO WHAT EXTENT DOES THE FUNDING METHOD REFLECT THE COSTS OF PROVIDING TO/FROM PUPIL TRANSPORTATION?

JLARC COST ALLOCATION METHOD FOR ESTIMATING TO/FROM COSTS

Because the Annual Financial Statement cannot reliably be used to determine the costs of providing to/from pupil transportation, JLARC developed a cost allocation methodology to separate to/from costs from other transportation costs reported to the State. This methodology is explained in detail below.

This cost allocation method is based on total reported costs and existing levels of to/from transportation services being provided by school districts. Statute does not mandate specific levels of pupil transportation services nor does it mandate operating efficiencies. Because the Legislature does not mandate particular service levels or operating practices, and the State Auditor is responsible for addressing any inaccuracies in expenditure reporting, JLARC relied on total reported costs for its allocation.

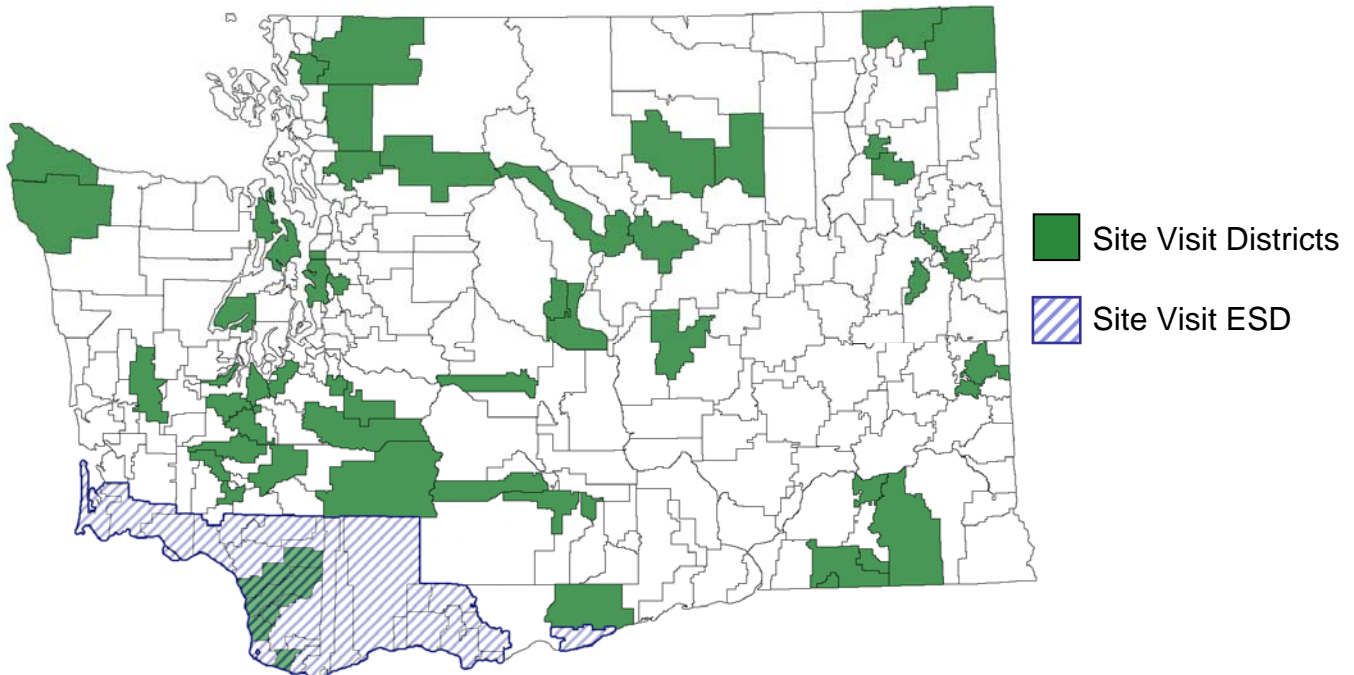
Step One

The first step in developing a cost allocation methodology was to determine what cost information was available from the records of each district. Using an online survey, JLARC asked all districts about the types of transportation records they maintained. Two of the four ESDs that transport students and 88% of districts responded to the survey. Responses indicated that most districts keep some financial and pupil transportation records for internal use, in addition to the information they are required to report to the State. The types of information collected, its level of detail, and how long it is kept varies greatly.

Step Two

Based on the information received from survey respondents, JLARC selected 57 districts and one ESD for site visits to obtain more accurate cost data. JLARC selected the districts to reflect the State in location and geography, enrollment, type of transportation program (i.e., district operated, contracted, or multiple district cooperative), proportion of special education students, and whether the district had a high school. JLARC also examined the site visit district group as a whole to ensure that it was reflective of the State in terms of pupil density (pupils per square mile) and other factors including English language learners, free and reduced price lunch enrollment, and staff with advanced degrees. Appendix 3 includes a list of these districts. JLARC staff visited the ESD and 49 of the 57 districts and studied the remaining eight districts using a combination of submitted documents and telephone interviews. The site visit districts combined represent 20% of the districts that provide transportation and 26% of total student enrollment statewide. Figure 5 shows the geographic spread of our site visit districts.

Figure 5 – Site Visit Districts



Source: JLARC.

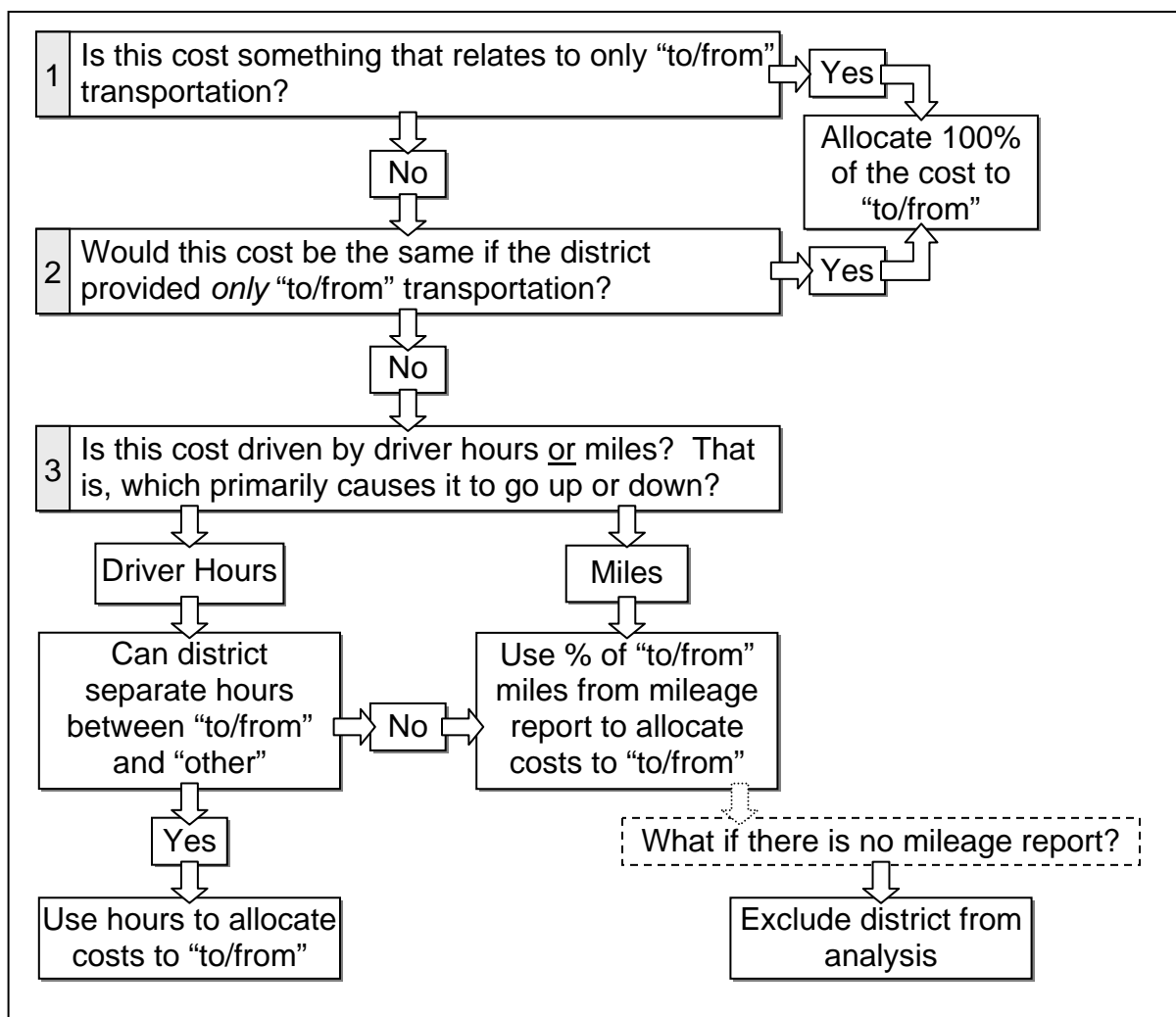
Step Three

JLARC staff also consulted with national transportation experts and current and former OSPI staff to develop a methodology for allocating district costs between to/from and other transportation for the site visit districts. Together with the experts, JLARC identified the biggest cost drivers for transportation and developed a method that allocates all transportation costs between to/from costs and other costs.

JLARC PUPIL TRANSPORTATION COST ALLOCATION METHOD

As illustrated in Figure 6 on the following page, JLARC’s cost allocation method starts with the different pupil transportation cost categories that are identified in the annual financial statement and asks a short series of questions about each that leads to an allocation of to/from transportation costs. Transportation cost categories include salaries, benefits, supplies and materials, contracted services, and travel.

Figure 6 – JLARC Pupil Transportation Cost Allocation Method



Source: JLARC.

Under Question 1 in Figure 6, only bus aides and contracts for “in lieu” or private party contract transportation could be identified as cost categories that were entirely for to/from pupil transportation. “In lieu” and private party contract transportation is transportation that a district pays a private individual (often the child’s parent) to provide when geography or the child’s special needs make transporting the child unfeasible for the district.

Under Question 2 in Figure 6, travel was the only cost category that qualified. Travel consists largely of staff travel to attend regional and state transportation meetings and trainings and would be required for any pupil transportation program.

All other cost categories fell under Question 3 in Figure 6. The percentage of driver hours spent on to/from transportation was used to allocate driver salaries and benefits. We were not able to separate other costs that may be impacted significantly by driver hours, such as supervision, using the financial statement. Consequently, all other costs were allocated by the percentage of miles driven for to/from trips and the percentage of miles driven for other trips.

Although the annual mileage report is unaudited, JLARC used it in the allocation method to determine the percentages of to/from and other miles and apply those percentages to costs. Because the mileage report was unaudited, JLARC considered the use of several alternatives, including supervisory hours and percentage of to/from trips, but found that the other data options applied to only a portion of the costs in a cost category or were not consistently defined. While it was beyond the scope of this study to audit the mileage report, JLARC asked site visit districts to explain their methods for calculating the mileage for the report. The site visit districts had clear, reasonable, and relatively consistent methods of computing the mileage for the report.

This method of allocating to/from costs is conceptually consistent with the method that OSPI suggests districts use for calculating pupil transportation credit transfers.

Step Four

During the site visits, JLARC examined district financial and transportation documents related to the major factors that influence pupil transportation costs. For example, JLARC examined records related to bus driver hours to determine how many hours were spent on to/from transportation. Where districts' computer systems tracked this information with separate salary codes, JLARC was able to identify more exact to/from salary and benefits costs and used this information instead of driver hours. JLARC also determined whether adjustments needed to be made to the reported numbers on the districts' financial statements. This most frequently occurred when districts billed some costs directly to an organization that provided funding for a portion of pupil transportation costs or to a curricular program in the district. For districts that are part of a cooperative but did not have all of the information for the entire cooperative, JLARC isolated the portion of the cooperative costs related to the visited district.

Developing this method for the site visit districts was possible because JLARC staff had the opportunity to review financial and transportation records directly with the districts, collect information about driver hours that is not available on a statewide basis, and make any necessary adjustments. **However, because it was not possible to visit every pupil transportation program, JLARC needed to determine whether there was another way to identify statewide to/from pupil transportation costs for the districts that were not visited.**

Step Five

When JLARC staff reviewed financial records with the site visit districts, it became apparent that some districts could not separate their driver hours between to/from and other transportation. The allocation method accommodated this difficulty by allowing these costs to be allocated using the percentage of to/from miles instead.

For each of the site visit districts in which JLARC could allocate salary and benefit costs using driver hours or salary information, JLARC was **also** able to allocate costs using only the percentage of to/from miles. This allowed JLARC to **test its results by comparing allocations** in site visit districts **using both driver hours and miles and using only miles**. As shown in Figure 7, the results showed only 0.08% difference between the hours and miles allocation and the miles only allocation and essentially the same percentage of to/from costs as a portion of total pupil transportation costs.

Figure 7 – Summary of Cost Allocation Results for 57 Site Visit Districts

	Cost Allocation (Hours & Miles)	Cost Allocation (Miles Only)	Difference (Dollars)	Difference (Percent)
Total Allocated To/From Costs (sum of 57 districts)	\$84,739,777	\$84,670,236	\$69,541	0.08%
Average To/From Costs as a Percentage of Total Pupil Transportation Costs	91.46%	91.38%	N/A	0.08%

Source: JLARC.

Step Six

Because the differences shown in the test were minimal, JLARC had confidence in the validity of applying the miles only allocation method statewide to districts that were not visited.²² JLARC was able to use this method to allocate to/from costs for 277 of the 294 districts whose students have transportation services. Because some districts have combined to form cooperatives or are otherwise served by other districts, the 277 districts are represented by 263 pupil transportation programs.

There were 17 districts for which OSPI did not have 2004-05 mileage reports and JLARC could not apply the allocation method to these districts or allocate their costs. There were 37,408 students in these districts, which represents 3.7% of the statewide total enrollment. JLARC believes that removing these districts from the analysis does not materially impact the validity of the results.

Further, the JLARC allocation method, applied statewide to the 263 pupil transportation programs, provided JLARC with an estimate that could be compared with the statistical model developed by JLARC’s consultants and described in the next section of this chapter.

Summary of Statewide Cost Allocation Results

After applying the miles only allocation method to the districts that were not visited, JLARC’s analysis estimates that **approximately \$300 million of the \$332 million in total reported transportation expenditures statewide are for to/from transportation.**²³ That is, 90% of reported expenditures are for transporting students to and from school and between schools, learning centers, or agencies providing special education services. Appendix 4 shows the allocated cost estimates by district. It is important to remember that the statewide cost estimates in this report do not include the 17 districts that provide transportation but did not submit a 2004-05 mileage report to OSPI, making it impossible for JLARC to allocate their to/from costs.

²² In the site visit districts, “in lieu” and private party contract transportation was allocated 100% to to/from costs. Because it is only part of a cost category, this could not be done statewide as it could not be separated using financial statements so it is allocated by percentage of to/from miles. “In lieu” and private party contract transportation is a very small portion of pupil transportation costs.

²³ These figures represent the 277 districts included in the JLARC analysis. Total reported pupil transportation costs include credit transfers for transportation services that were charged to other district programs.

STATISTICAL MODEL FOR ESTIMATING EXPECTED TO/FROM COSTS

While the cost allocation method provided an estimate of to/from expenses both for site visit districts and statewide, the allocated cost data, by itself, did not identify which district characteristics could explain why apparently similar districts had very different costs. The allocation method also could not provide an indicator of the statistical precision of the estimate. For these reasons, JLARC consulted with pupil transportation experts, including a statistician who has worked on the development of pupil transportation funding systems in other states. JLARC asked the consultants to develop a statistical model that would estimate transportation costs based on a variety of independent district characteristics, that is, characteristics that are outside the control of the districts.

The statistical model:

- Identifies the independent district characteristics with a statistically significant influence on to/from costs;
- Provides a statistical estimate of the to/from **costs districts would be expected to incur** given their independent characteristics;
- Allows for a comparison between statistically expected costs and costs determined by JLARC's allocation method; and
- Because the result is an estimate, identifies a range that quantifies how confident we are of the estimate within a statistical margin of error.

The model uses JLARC's statewide allocated to/from expenditures to determine which independent district characteristics have the most influence on costs. Eight potential independent district characteristics were considered, four of which refer to types of "student trips." In this model, a student trip refers to the number of students transported on a route. The model was customized to Washington State, but is based on similar approaches the consultants have developed for other state transportation systems. The eight characteristics considered are:

- The number of regular transportation student trips;
- The number of special transportation student trips;
- Pupil density (the ratio of students to total land area, in square miles);
- The proportions of regular transportation student trips that are "in lieu" or private party contracts, public transit, and shuttle trips;
- The number of square miles within the district that is land;
- The proportion of the district's total area that is comprised of water;
- The total number of students transported; and
- The proportion of all trips that are special transportation student trips.

Of these eight characteristics, three were found **to be not** statistically significant: pupil density, the proportion of total area that is comprised of water, and the proportion of special education

student trips.²⁴ JLARC’s consultants used the remaining characteristics in a multiple regression model to determine statistically expected costs for every district.

Statistically expected costs are the costs one **would expect a district to incur for providing to/from transportation given its independent characteristics**. Statewide, the statistical estimate of expected to/from costs has a 95% probability of falling between \$289,168,492 and \$310,925,515 with an expected value of \$300,047,004. The statistically expected statewide costs determined by this model were almost identical to the JLARC allocated statewide costs. Figure 8 shows this comparison.

Figure 8 – Comparison of Estimated Costs
Using the Statistical Model and the JLARC Allocation Method

Statewide To/From Costs Using Statistical Model	\$300,047,004
Statewide To/From Costs Using JLARC Allocation Method	\$300,399,302
Percent Difference	0.12%

Source: JLARC.

Because the two results are so closely aligned, **the remainder of this chapter will focus on statistically expected costs as determined by the model and the difference between statistically expected costs and actual state general fund revenues.**

Estimated Funding Variance

In this report, “**estimated funding variance**” means the degree to which state funding varies from the statistically expected to/from transportation costs. It cannot accurately be described in all cases as either a “surplus” or “shortfall” because the comparison is to statistically expected costs and not costs actually incurred. The 0.12% difference between the statistically expected and JLARC allocated to/from costs indicates that the **statewide figure has a high degree of precision** for the aggregate of the 263 programs included in the statistical model. However, the estimate for each district is likely to be less accurate because:

1. The model compares **statistically expected** costs to **actual** revenues and statistically expected costs are based on a model that explains 94.38% of the difference in costs between districts. No statistical model can explain all of the variations in costs. The variations that the model does not explain, such as unexpected events causing a district to spend more than expected, mean that any particular district’s actual expenditures may not match the model’s results.
2. Because the model provides an estimate of expected costs and there are a large number of individual districts in the model, it is likely that potential over or underestimates at the district level will offset each other, creating an estimated state total that is more precise than the calculation for any particular district.

²⁴ While special education transportation costs are substantially higher than regular transportation costs **on a per student** basis, the **average proportion** of special education students statewide is approximately 12% of total enrollment. Consequently, the special transportation costs as **a proportion of the total pupil transportation costs** are not a statistically significant cost driver on a statewide basis.

3. The expected costs include some level of inefficiencies that exist in districts' pupil transportation programs. Inefficiencies can be a result of low pupil density, the need for long bus routes due to geographic challenges such as rivers with few bridges, and less than optimal operating practices. Inefficiencies in transportation may also result from local policy decisions, including school choice programs, magnet and gifted programs, and desegregation programs.
4. The state revenues used in this analysis **do not include revenues that school districts received from other districts** for to/from transportation services. This revenue was not included to avoid duplication in calculating statewide funding totals. The total amount transferred through inter-district agreements is not more than 2% of total state revenues in 2004-05, but the percentage varies by district.
5. Some costs are not reported consistently by districts in the pupil transportation program.
 - Utilities, bus aides, and insurance are not always reported as pupil transportation costs.
 - Some shuttles eligible to generate funding in law may be reported as field trips because they do not qualify for funding in rule.
 - In addition, district cars and vans are sometimes used for to/from routes, but are not included in the mileage report and may not be reported as pupil transportation expenses.

Therefore, when considering the actual funding variance **in any given district**, it is necessary to consider the impact that any or all of these factors might have on total transportation costs.

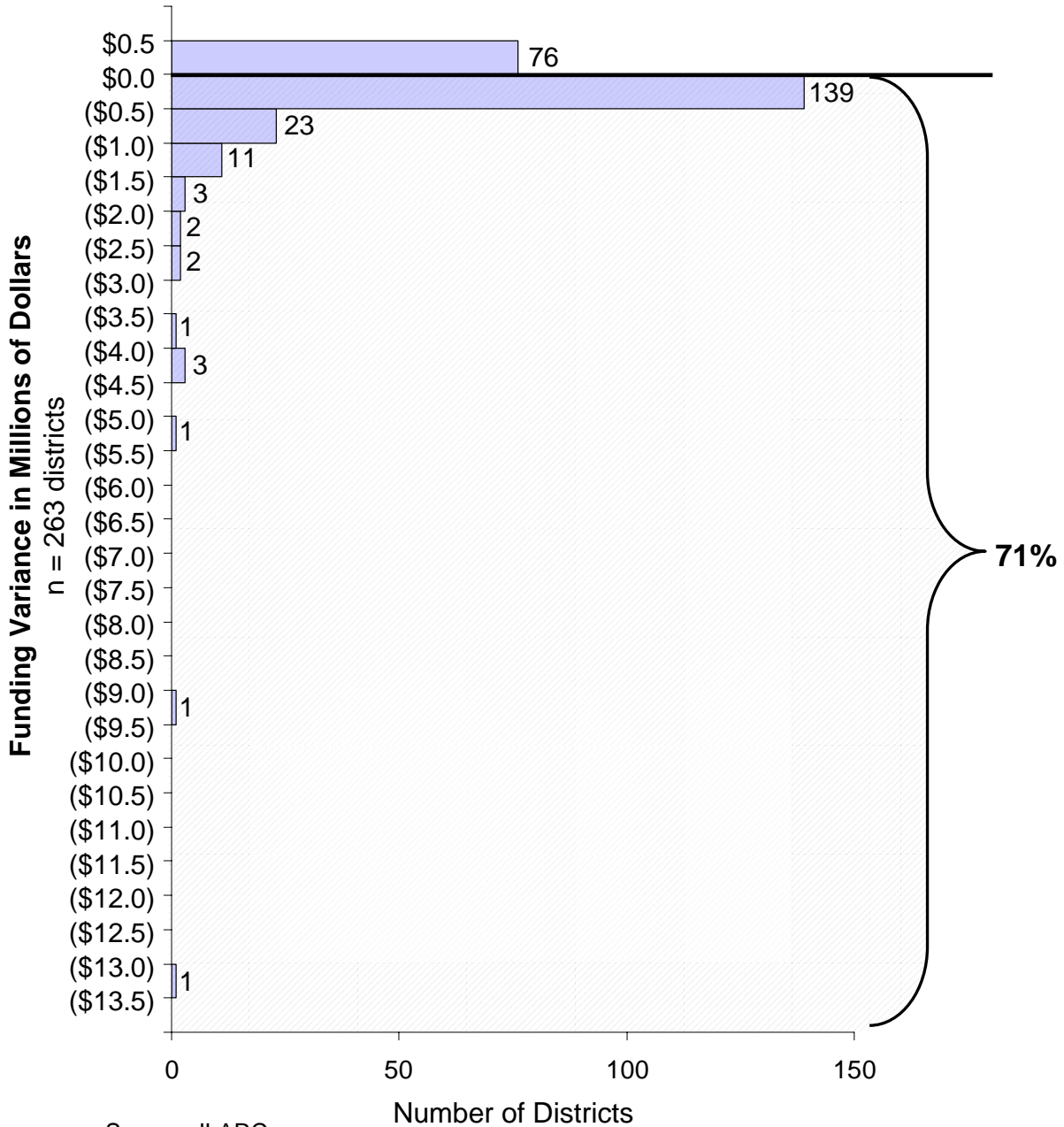
Funding variances can be positive, neutral, or negative. Each of these terms is defined below.

<p>A POSITIVE VARIANCE means that the district received MORE MONEY than its statistically expected costs.</p> <p>-----</p> <p>A NEGATIVE VARIANCE means that the district received LESS MONEY than its statistically expected costs.</p> <p>-----</p> <p>A NEUTRAL VARIANCE means that the district received FUNDING EQUAL TO its statistically expected costs.</p>

What is the State's Estimated Funding Variance?

JLARC estimates that there is a 95% probability that the total negative funding variance for the State was between \$92,619,322 and \$114,376,345 in the 2004-05 school year. The estimated standard error of the total funding variance is \$5,550,261. Standard statistical techniques were used to calculate the 95% confidence interval for the funding variance. A 95% confidence interval means that there is a 95% certainty that the true funding variance lies within the calculated range.

Figure 9 – 71% of Districts Received Less Funding Than Their Statistically Expected Costs



Based on the statistical estimate, 187 pupil transportation programs (71%) experienced a negative funding variance in 2004-05. That is, they received less state funding than their statistically expected costs. By contrast, 76 pupil transportation programs (29%) received more state funding than their statistically expected costs. No districts experienced a neutral funding variance. Again, it is important to recognize that expected to/from costs for each district are less precise than the statewide total.

Figure 9 shows the funding variance in \$500,000 increments. The length of the bars shows the number of districts that have a particular estimated variance.

Funding Variance as a Proportion of Statistically Expected Costs

Two districts with the same funding variance could be affected very differently depending on the size of their pupil transportation program. For example, a district with a funding variance of \$10,000 (positive or negative) will be impacted greatly if that district transports only 70 or 80 students, while it might have a small impact on a district that transports 1,700 or 1,800 students. One way to look at this is to look at the size of the variance in relationship to what we expect the district to spend, that is, **as a proportion of statistically expected expenses**.

Statewide, there was an overall negative funding variance proportion of 34.5%, meaning that the state funding variance overall was 34.5% of the expected costs. That is, appropriated state funding reflected 65.5% of the statistically expected costs on a statewide basis. Figure 10 on the following page groups districts by their positive or negative funding variance as a proportion of their expected costs. The number at the end of each bar identifies how many districts are represented by each bar.

Figure 10 – Over Half of the Districts Have a Negative Funding Variance Proportion Between 20% and 60% (Funding is 20 – 60% Less Than Their Expected Costs)

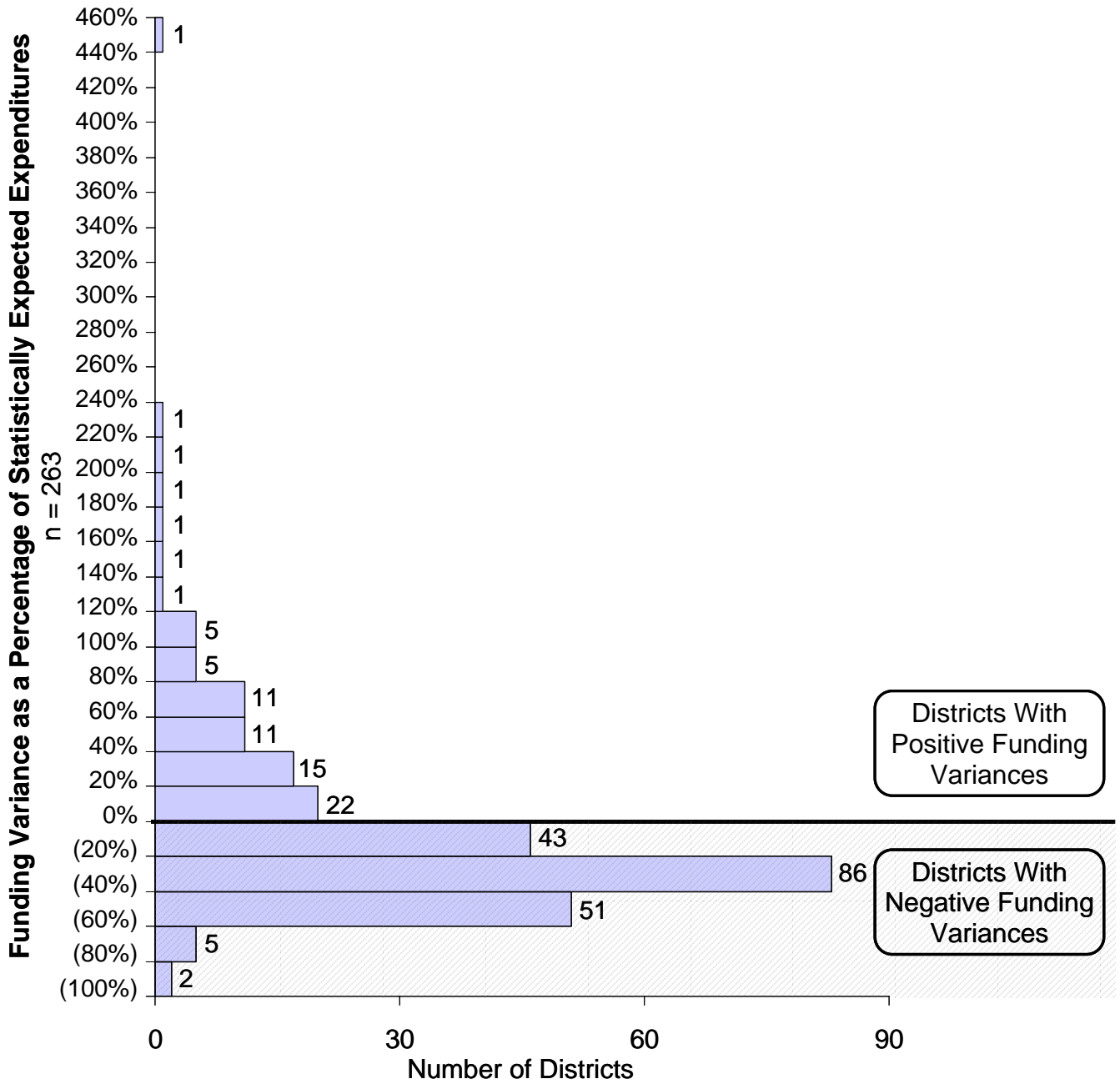


Figure 11 below shows statewide totals for the statistically expected costs and funding variance.

Figure 11 – Statewide Funding Variance Summary

STATEWIDE TOTALS	RANGE		
	LOW	EXPECTED	HIGH
Statistically Expected Costs	\$289,168,477	\$300,047,004	\$310,925,499
Actual State Funding	\$196,549,170	\$196,549,170	\$196,549,170
Estimated Funding Variance	(\$92,619,322)	(\$103,497,834)	(\$114,376,345)
Overall Funding Variance Proportion	(32.0%)	(34.5%)	(36.8%)

FINDINGS AND RECOMMENDATIONS

FINDING:

JLARC estimates that there is a 95% probability that statewide to/from pupil transportation expenditures exceeded state funding by between \$92,619,322 and \$114,376,345 in the 2004-05 school year.

From our estimate, 187 pupil transportation programs (71%) received less state funding than their statistically expected costs. Seventy-six pupil transportation programs (29%) received more state funding than their statistically expected costs. It is important to recognize that expected to/from costs for each district are less precise than the statewide total.

CONCLUSION

JLARC cautions the Legislature to carefully consider **how** it will allocate funding for pupil transportation before any decisions are made to provide additional funding to districts. **JLARC does not recommend simply increasing the allocation rate used in the current funding method to add approximately \$100 million per year in new funding.** Doing so is likely to exacerbate the disparities in the funding method and cause some districts that appear to be fully funded to have an even greater amount of funding without bringing revenues up to statistically expected costs for other districts. Chapter 4 analyzes Washington’s current pupil transportation funding method and identifies reasons that it does not generate funding to individual districts in a manner that reflects districts’ to/from costs.

CHAPTER FOUR: WHY IS THERE A FUNDING VARIANCE?

CHAPTER OVERVIEW

The analysis described in the previous chapter indicates a statewide funding variance between statistically expected costs and funding in 2004-05 of approximately \$93 million to \$114 million. To understand why this funding variance exists, JLARC reviewed the current funding method and the statutes and WACs that dictate how the funding method operates against six criteria. This chapter will highlight the results of our review to help explain the strengths and weaknesses of the current funding method.

CRITERIA FOR EVALUATING FUNDING METHODS

We reviewed the transportation funding method using six criteria. These criteria reflect the study mandate's explicit criteria as well as widely accepted standards for evaluating funding methods. To identify the criteria, JLARC staff consulted with national transportation experts and current and former staff to the Legislature and OSPI. The six criteria are:

- A. Does the method **reflect actual costs** of providing to/from transportation?
- B. How **easy** is the method to **implement and administer**?
- C. Does the method **promote efficient use of state and local resources**?
- D. Does the method **maintain local control**?
- E. Is the method **easy to understand**?
- F. Does the method result in **predictable levels of funding**?

A. Does Washington's Current Funding Method Reflect Actual Costs?

Washington's current pupil transportation funding method does not reflect to/from costs. This is partly due to a number of structural and implementation flaws that make the method incapable of generating funding to reflect costs. It also results from some lack of clarity in the language of relevant statutes and WACs.

Structural and Implementation Challenges:

Radius Miles

Washington is the only state that funds by radius miles. Most states that use miles to determine transportation funding use shortest road miles. Radius miles are "straight line" or "crow flies" miles between two points. Figure 12 shows how radius miles work. Radius miles are an imprecise measure because they treat every bus stop within a radius mile range (i.e., 1.01 through 1.99 radius miles) as having the same distance. This means that radius miles do not reflect actual road miles in a consistent manner.

Figure 12 – Radius Miles

This is especially true when the radius is interrupted by inconvenient geographical features such as roadless land, mountains, rivers, or even interstate highways. These features can mean that the only possible route between a school and a bus stop is many multiples of the radius miles. For example, on one Dayton School District route, the first bus stop on one route is 16 radius miles from school. However, using the only road available, it is 36.5 miles to get to this stop and 36.5 miles back to the school. Figure 13 is the route map for this route.

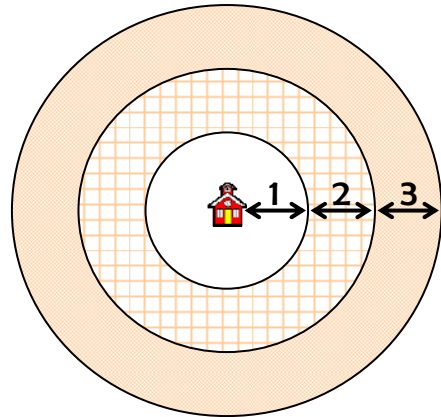
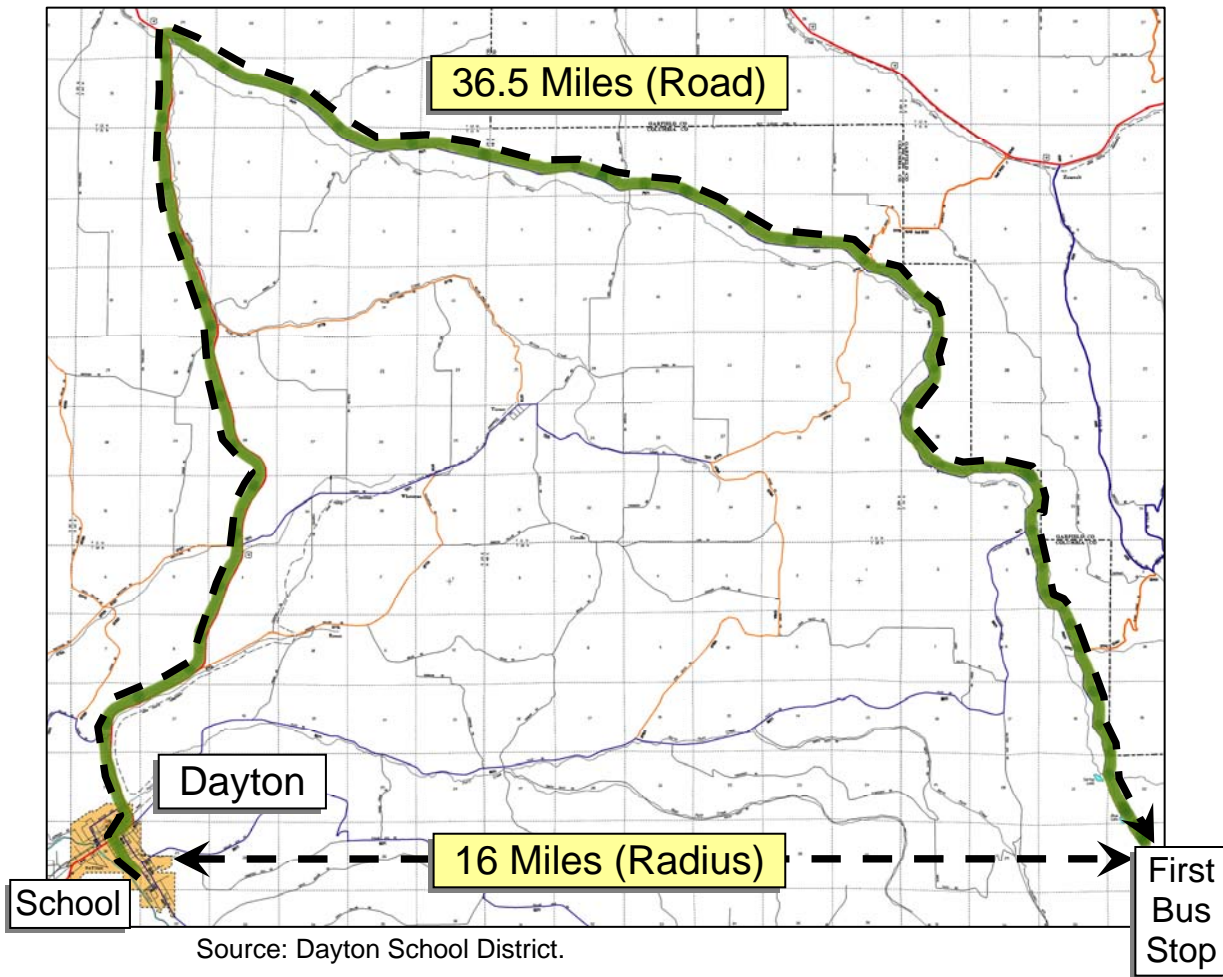


Figure 13 –Tucannon Route Home to School



The problem is not eliminated with decreasing radius mile distances. While it is common to travel two to three miles of actual road miles to a stop within the one radius mile area, the distance is sometimes much farther. In the Wenatchee School District, a large residential area with enough students to require two bus routes has been developed along a mountain ridge that starts within one radius mile of (and can be seen from) the Wenatchee High School. This development, however, is

more than 1500 feet above the school and the distance by the shortest road is 12 miles. Although it is unreasonable to ask these students to walk, Wenatchee receives no regular transportation funding for high school students on this route because they are within one **radius** mile of school.

Distance Weighting Factors

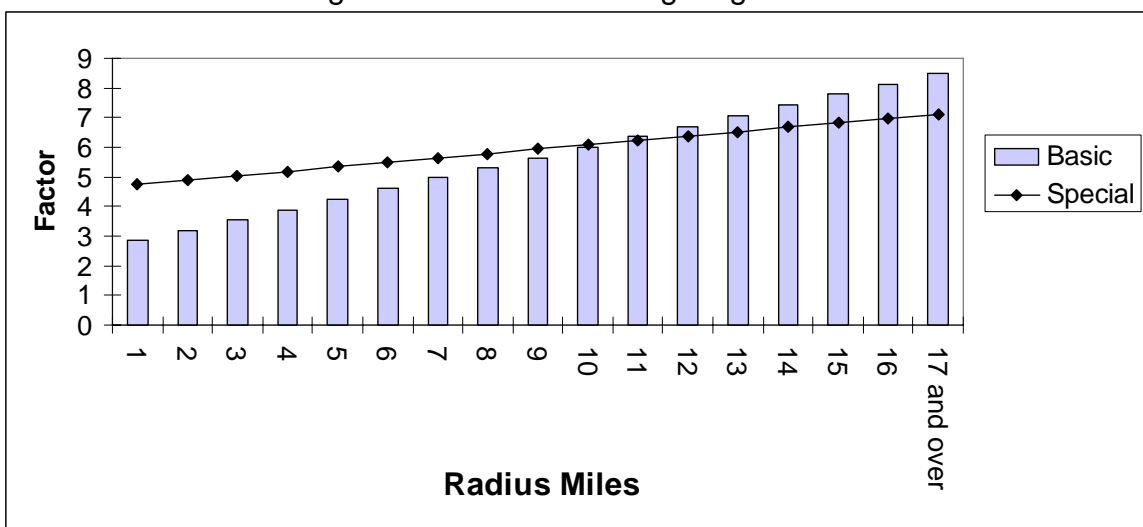
That radius miles do not reflect actual road miles might not be a problem if radius miles were adjusted by a factor that established an appropriate ratio between radius miles and actual road miles. That factor would also have to be based on operating costs in such a way that, when applied to the allocation rate, the funding method would generate a funding amount that reflects district costs.

Documents provided by OSPI, dating to 1980-81, show that Washington was attempting to create such a ratio in its establishment of distance weighting factors. The funding method adopted in 1984, however, did not resemble the earlier versions of these factors. Therefore, **we cannot determine the basis of the adopted factors or how they related to actual costs.** Further, the distance weighting factors have not been updated since adoption and were never adjusted when there were changes to the structure of the funding method that should have resulted in changes to the distance weighting factors.

In 1992, OSPI adopted a second set of factors for special transportation. Because the original distance weighting factors applied to all routes, including special transportation routes, they should have been adjusted to reflect the fact that special transportation now had its own set of distance weighting factors. **No adjustment was made.**

Both 1980-81 documents and the special transportation distance weighting factors adopted in 1992 indicate that special transportation routes are higher cost routes. However, beyond 10 radius miles the special transportation distance weighting factors are actually **lower** than the regular transportation factors. Figure 14 shows the relationship of the regular and special transportation factors.

Figure 14 – Distance Weighting Factors



Source: JLARC.

Hazardous Walking Conditions and the K-5 Within One Mile Formula

Until 1996, districts were funded to transport students who lived within one radius mile if the reason for the transportation was because of hazardous walking conditions. In 1996, the Legislature eliminated hazardous walking conditions funding. This funding was replaced with a different funding formula based on the district's number of enrolled K-5 pupils living within one radius mile of school.

The **major differences** were that the new K-5 formula:

- Is based on the number of students **enrolled** in grades K-5;
- Is **unrelated to** the number of **students transported** within one radius mile **or their grade level**;
- Replaced the distance weighting factor of 2.85 with a 1.29 adjustment factor **in a separate formula**;
- **Provides funding** to districts **without regard to the need to transport** students within one radius mile. In fact, it **provides funding to districts that do not transport their students**; and
- **Generates about 22% of the funding per 100 students that the hazardous walking conditions formula generated.** A district with 100 enrolled K-5 students living within one radius mile was funded at \$5,245 in 2004-05. Under the hazardous walking conditions formula, a district that transported 100 students with bus stops within one radius mile due to hazardous conditions would have been funded at \$23,176.

In order to retain any relationship between radius and road miles or any relationship to operating costs that they may have had, the distance weighting factors beginning at two radius miles would have needed adjustment when the K-5 formula was adopted. **No adjustments were made.**

Ridership Count Process

The ridership count process presents a fourth structural and implementation challenge. Without an accurate ridership count, the funding method cannot generate correct funding. This is because all of the other elements of the funding method are multiplied by the number of riders, or a weighted number of riders. Ridership reports are audited and reliable, but may not reflect true ridership for six reasons:

1. Timing of the count. The ridership count is performed once per year, for five consecutive mornings, most often during the end of September or first week of October so that the ridership count can be submitted by the third Monday in October.
 - In September and early October, many special education students have not yet been identified. Therefore, some special education programs have not been fully implemented, resulting in lower counts for these programs.
 - The five days length means that many things outside district control can affect ridership. Examples are start of school year illnesses and weather that has an impact on ridership. A longer count, or multiple counts, would minimize the effect of these variables.
 - The statute and WAC permit a district to amend its count if its total ridership increases by at least 10% for 20 consecutive days. Only ESD 112, which operates a special

transportation program for 23 districts, has been able to meet this standard. Neither OSPI nor the regional transportation coordinators were able to identify any **district** that had qualified for this adjustment.

2. Morning only count. The count is conducted in the morning and the results are multiplied by two to achieve a full day count. Some districts believe their afternoon count is much higher. There is no statewide data on these differences, but JLARC’s consultants indicate that it is typical to have very different morning and afternoon ridership populations.
3. Use of Modes. Riders are counted at each stop and reported using a modified statistical “mode” or most frequently appearing number. Figure 15 is a simple illustration of how districts are instructed to report ridership using modes for four hypothetical stops on one route. Modes can create a count that does not reflect actual ridership and stops B through D illustrate this:
 - At stop B, both 2 and 3 are modes. Districts are instructed to use the higher mode.
 - At stop C, there is no mode. In this case the district computes an average and rounds up to the next whole student.
 - At stop D, the mode is 4 even though it is more common to have 10 to 12 riders.

In this illustration, the total modes (15) for the four stops are lower than the average ridership (19 when rounded up to the next whole student).

Figure 15 – Calculation of Modes

Stop	Mon.	Tues.	Wed.	Thurs.	Fri.	Mode
A	3	3	3	4	3	3
B	2	2	3	1	3	3 (<i>higher mode</i>)
C	5	7	3	2	6	5 (<i>rounded average</i>)
D	4	10	12	11	4	4 (<i>anomalous mode</i>)
TOTAL	14	22	21	18	16	15

4. Reporting forms exclude some eligible transportation routes. For reasons that will be discussed below, the ridership count forms used to generate funding do not include places to report the following kinds of pupil transportation, which have associated costs:
 - The use of **public transit as a shuttle**, which is most typical for life skills courses, where students go to different locations each day and are taught how to use public transit. Only transit trips between home and school are counted.
 - **Regular transportation** shuttles that run less than 144 days per year, as described in the next section. Equivalent special transportation shuttles are counted.
 - **Mixed population shuttles.** Shuttles are segregated into regular and special transportation shuttles. Mixing student groups on a shuttle means that the shuttle cannot be counted as special transportation and, therefore, must run at least 144 days per year to generate funding. This can result in a district operating both special and regular shuttles when only one may be needed in order for the district to generate funding.
5. Students in gifted and transitional bilingual programs are counted with special transportation. Early documents and funding factors suggest that special transportation categories were for students with special transportation needs but students in special programs including some

gifted and bilingual students must be counted in this category if they ride a different bus to a special program site. This can skew a district's total funding in unpredictable ways.

Challenges resulting from Statute and WAC language:

WAC Definitions That Do Not Match the Statute.

The statutory definition of to/from transportation includes shuttles "between schools and learning centers for instruction specifically required by statute." For students in special education, gifted, and transitional bilingual programs, these shuttles are counted. If a special transportation shuttle runs less than four days per week, the ridership count is prorated.

However, the WAC expressly excludes regular transportation shuttles that run less than 144 days per year from the count even though there is no suggestion in statute to support this limitation. This exclusion includes:

1. Shuttles that run one to three days per week, including skills center shuttles.
2. Shuttles for classes where some of the curriculum takes place outside of the classroom, often in a district's shared facilities such as swimming pools. These shuttles may run every day but to different locations, or run daily but for only one term or part of a term.
3. Shuttles for vocational programs operated by community colleges for the school district when the school districts and community colleges are on slightly different term and holiday schedules. In this case, even shuttles that run every day can miss the 144-day cut off if they do not start by mid-September.

The Statutory To/From Definition May Not Reflect Current Mandates and Realities.

In the years since Washington's per unit allocation funding method was developed, both the state and the federal governments have placed mandates on school districts not foreseen in 1983-84, and some of these mandates impact pupil transportation. Educational realities and best practices have also changed. The current funding method has not been revised to reflect these. While this study does not attempt to list these mandates and changes comprehensively, they include:

- The McKinney-Vento Act. This federal law mandates transporting homeless students back to their school of origin while they are homeless. This can mean daily or weekly route changes and many hours of cross-district transportation. The impact is greatest on districts with homeless shelters. McKinney-Vento's expansive definition of homeless indicates this will be a growing issue.
- The Learning Assistance Program is the successor program to the Remedial Assistance Program, found to be part of basic education.²⁵ This program for students needing remedial assistance is defined as occurring before and after school, on Saturday, and beyond the regular school year.²⁶ The transportation statute excludes extended day transportation from the definition of to/from transportation.
- Routes to multi-district skills centers that operate one to three days per week are excluded from funding unless they are special transportation routes.

²⁵ Doran II, Declaratory Judgment 2.

²⁶ RCW 28A.165.035.

- Washington Assessment of Student Learning (WASL) mandates, such as providing opportunities to retake the WASL during the summer, have pupil transportation impacts.
- The federal No Child Left Behind legislation gives parents the right to choose another school for their child under certain circumstances and prohibits transportation barriers.
- Military security searches of buses transporting students onto military bases have increased districts' costs due to the time it takes to search each bus every time it enters the base. A bus may enter and leave a base several times each day. This is particularly difficult for school districts that serve more than one base.
- The statute is unclear on "instruction specifically required by statute." The transportation statutes do not define "instruction specifically required by statute." RCW 28A.230.020 has a list of required subjects but the list does not clarify which shuttles are for "instruction specifically required by statute." That is, it raises the questions: (a) whether field trips tied to the curriculum of a listed course are shuttles, and (b) whether any activities should be excluded. This is unclear partly because the statutory language excluding field trips from funding was removed when "instruction specifically required by statute" was added. Field trips are excluded from funding by the WAC.
- Hazardous Walking Conditions. WAC 392-151-025 requires districts to create safe walking routes within a one-mile radius around each elementary school where students walk to school. It is not clear that a district, given liability considerations, could actually refuse to transport students for whom it could not define a safe walking route.

B. How Easy is the Current Method to Implement and Administer?

While counting riders is fairly straightforward, there are complexities with the count process that begin when bus drivers turn in their count sheets to be compiled at the district. Processing the count is a significant effort that requires substantial work at the district, regional, and state levels, including multiple annual trainings, hiring additional temporary staff or borrowing staff from other areas in large districts, and many overtime hours to finish by the third Monday in October.

There is an electronic form for each of the State's 25,000 routes into which the handwritten counts from the bus driver must be entered by stop. Each form must be completed in exactly the manner it was designed or it may be voided, and the district could lose funding for that route. After the district finishes processing the report, regional transportation coordinators analyze and verify them before sending them on to OSPI. OSPI calculates each district's weighted units from route data and submits total state units for funding.

C. Does the Current Method Promote Efficient Use of State and Local Resources?

The current funding method is not designed to require districts to, or restrict districts from, implementing efficient operating practices. The current funding method does contain some elements that could potentially promote efficiency, including funding by radius miles, the one-mile funding exclusion, and the minimum load factor. However, not all of these elements are promoting efficiency as implemented. There are also few, if any, mechanisms in place in the current funding method to identify or eliminate inefficient practices.

- Funding based on radius miles may encourage districts to use the shortest route possible. Practical matters serve this function as well. For example, route length is limited by the

fact that most districts use the same bus two to three times each morning and each afternoon, so districts must use the shortest routes to ensure that buses arrive at each school on time. In addition, school districts must plan routes that have bus stops to transport all eligible students, even those students that rarely ride, and must factor in practical concerns such as traffic bottlenecks and whether a road has a place for a bus to turn around. Because of these practical considerations, the most efficient route may not always be the shortest route.

- The one-mile funding exclusion was intended to discourage districts from transporting any students for whom transportation was unnecessary. Districts do seem to limit transportation within one radius mile when it is safe and realistic to do so. However, where safety or actual distances are a concern, districts transport students within one mile.
- The Minimum Load Factor provides additional funding based on a calculation of the number of seats used to transport students. Although WAC 392-141-158 states that it is “a numeric value derived to achieve efficient average bus loads of at least seventy-four students,” in practice it simply allocates additional funding to those districts that do not achieve average bus loads of 74 students. Despite the intent, this measure, as structured, does not promote efficiency and may actually encourage inefficiency as a method to increase funding. For example, if a district that could otherwise achieve average loads greater than 74 students were to make transportation choices that resulted in average loads of less than 74 students, the district would receive increased funding despite a decision that created inefficiencies in the use of its buses. Nothing in the current funding method identifies districts that may not be effectively using bus capacity.

Possible Impacts of the Minimum Load Factor

The minimum load factor may partly cause two counter-intuitive findings that were identified in JLARC’s statistical analysis.

- (a) Districts that have higher pupil density are **less** likely to receive funding to cover their statistically expected costs than districts with lower pupil density.
- (b) Districts that have better expenditure performance (i.e., spend less than they are statistically expected to spend) are **less** likely to receive funding to cover their statistically expected costs than districts that have lower expenditure performance (i.e., spend more than they are statistically expected to spend).

Pupil Density and the Minimum Load Factor: Districts with higher pupil densities are best able to achieve operational efficiencies by fully using bus capacity and pairing routes. It appears that most of them do so. The statewide median pupil density is 7.2 students per square mile of land. Only 50 of 131 districts (38%) that had pupil density greater than the state median received minimum load funding. This means 62% of these districts achieved average loads of at least 74 students. These districts were still less likely to receive funds to cover their statistically expected costs. Therefore, districts that have implemented strategies to efficiently use the available seating capacity are, in essence, being penalized by the current funding method for their efficiency. If these same districts were to reduce the efficiency of their passenger loads below 74 students they would receive an increase in funding that could, in some cases, reduce their negative funding variance.

It is possible that the additional funding provided by the minimum load factor allows smaller providers to over-recover costs for transporting students in less dense areas.

Expenditure Performance and the Minimum Load Factor: The statistical analysis found that districts that have a high probability of actually **spending less** than they are expected to spend for to/from operations are less likely to receive funds that cover their expected costs than districts with a probability of **spending more** than their expected costs. This may be explained partly by the fact that minimum load funding is awarded to districts that do not achieve average bus loads of 74 students regardless of whether those districts are operating as efficiently as possible. Because districts can qualify for minimum load factor funding due to **either** density challenges **or** poor operating practices, minimum load factor funding may, in some cases, be rewarding districts that do not use their resources as efficiently as possible.

D. Does the Current Method Maintain Local Control?

The current funding method maintains local control because it neither mandates any specific levels of service nor dictates any particular local operational practices.

E. Is the Current Method Easy to Understand?

The funding method is complicated and difficult to understand. In addition to the complex ridership count process, the funding method results in multiple funding calculations derived from several different formulas, including regular and special transportation funding, a separate K-5 within one-mile formula and a different formula for district cars based on an incremental mileage rate.

F. Does the Current Method Result in Predictable Levels of Funding?

The funding method does generally result in predictable levels of funding for both the State and school districts. Because both the State and the districts can use relatively simple mathematical tools to estimate future transported populations and to adjust for changes in the allocation rate in future years, both the State and districts can generally understand what the level of funding is likely to be and plan for it.

FINDINGS AND RECOMMENDATIONS

FINDING:

The current funding method is unlikely to generate funding that reflects actual costs due to significant structural and implementation problems, including:

- Radius Miles do not reflect actual road miles.
- Distance Weighting Factors do not reflect a relationship to radius miles or actual transportation costs and have not been adjusted despite structural changes to the funding method.
- The Ridership Count process is unlikely to reflect average ridership due to a number of factors including: the time period may be too short, too early in the year, it is only counted in the morning, and it uses modified statistical modes rather than averages. It also excludes some routes not excluded by statute and counts some gifted and transitional bilingual students as special transportation students.

FINDING:

Definitional issues in statute and WAC currently prevent the funding method from reflecting actual costs. These include:

- WAC definitions of shuttles exclude some regular transportation shuttles that meet the statutory definition, preventing districts from requesting funding for these costs.
- The statutory definition of to/from transportation does not reflect current mandates and educational realities.
- The statute is unclear on the scope of “instruction specifically required by statute.”
- Schools may be required to transport students for whom safe walking routes cannot be created and districts may be doing so regardless of whether they receive state funding.

FINDING:

The current funding method fails to drive operational efficiencies.

- Radius mile funding and the one-mile exclusion may have a small effect on routing decisions, but decisions are generally driven by practical and safety concerns.
- Higher density districts that are best situated for achieving operational efficiencies are less likely to receive funds that cover expected costs.
- Districts that have a high probability of actually spending less than they are expected to spend for to/from operations are also less likely to receive funds that cover their expected costs.

RECOMMENDATION 3:

The Legislature should review statutory language to ensure that there is clarity around what transportation costs the State intends to fund, including:

- Reviewing state and federal mandates and basic education programs to determine whether the current to/from definition needs amending.
- Clarifying what was intended by “instruction specifically required by statute.”
- Considering whether to replace funding for K-5 enrollment within one mile with funding for transporting students who have hazardous walking conditions.

RECOMMENDATION 4:

The Superintendent of Public Instruction should change its WACs to conform to statute to ensure that all qualifying trips can generate funding by the State.

(NOTE: A recommendation related to the funding method itself follows the discussion of alternative funding methods and best practices in the next chapter.)

CHAPTER FIVE: ALTERNATIVE FUNDING METHODS AND BEST PRACTICES

CHAPTER OVERVIEW

Beyond evaluating the State’s current funding method, the Legislature asked JLARC to identify alternative funding methods that reflect actual costs, promote efficient use of resources and allow for local control of transportation programs. It also instructed JLARC to identify any nationally recognized best practices for funding pupil transportation. This chapter will address both of these topics. The information contained here is primarily based on a 50-state survey of state transportation directors and state department of education staff conducted by JLARC’s consultants, as well as a review of relevant state statutes, administrative procedures and reporting requirements.

OBJECTIVE 3: ARE THERE ALTERNATIVE FUNDING METHODS THAT REFLECT COSTS, PROMOTE EFFICIENCIES AND ALLOW FOR LOCAL CONTROL?

Four Pupil Transportation Funding Methods Nationwide

A survey of 50 states indicates that there are four primary approaches to funding pupil transportation nationwide. These are:

- Pure Block Grant Funding
- Approved Cost Funding
- Per Unit Allocation Funding
- Predictive or Efficiency-Driven Formula Funding

These four approaches are designed to serve a range of purposes, from partially or fully offsetting the costs of transportation services to promoting efficiency in operations. The approaches reflect the different goals and objectives a given state may have for its involvement with local school districts as well as its unique financial, political, and operational environments. The four broad approaches have been customized in each state to reflect each state’s own circumstances for each of the 45 states that provide transportation funding.

There are also **five states that provide no designated funding for transportation** services. Rhode Island, New Hampshire, Vermont, Massachusetts,²⁷ and Nevada all consider transportation to be a local responsibility. Each of these states provide a level of basic aid for K-12 education which may be used for a variety of services, but transportation is not specifically

²⁷ Massachusetts is unique in that it provides no funding to local districts, but regional districts are provided some reimbursement for transportation costs. This is an explicit effort to encourage more regionalized school districts.

designated as an element in the basic funding grant. Given Washington's statutory funding requirements, providing no transportation funding is not an option for the State.

Description of Each Method

Each of the four major funding methods can be described in general terms. As mentioned above, when these approaches are implemented in a particular state, they include refinements and modifications that make each state's method unique. Figure 16 on page 46 shows the type of approach used in each state. Appendix 5 provides a more detailed description of each state's funding method.

- **Pure Block Grant Funding** — Provides funding for transportation as part of the foundational per student grant given to school districts. Under this approach, a portion of a state's annual student allocation is intended to offset some or all of the costs of pupil transportation, while leaving service level efficiency considerations up to the local districts. Thirteen states use this approach, with three of these states providing funding only for special education-related transportation services. The block grant states reflect large and small populations and are geographically diverse.
- **Approved Cost Funding** — Provides reimbursement for specific cost items incurred by transportation programs. This approach recognizes that districts with different site characteristics (e.g., pupil density, geography) will have differences in costs resulting from those characteristics. There are two general approaches to approved cost funding. First, states may reimburse districts for all or a percentage of approved costs incurred. Approved costs can include things such as bus driver salaries and benefits, and maintenance and repair costs. The second approach is to limit reimbursement to a maximum allowable amount based on statewide average costs. Seven states use an approved cost method and each has its own list of approved costs and reimbursement standards. Washington used an approved cost approach before 1981.
- **Per Unit Allocation Funding** — Provides a fixed amount of funding for a specified unit of service. States generally allocate funding on a per mile and/or a per student basis, with only Hawaii utilizing something different (i.e., a per ride value). **Washington's current funding method is a per unit allocation** based on weighted student units, where the number of student riders are weighted by distance weighting factors and the number of trips per day. Twelve states, including Washington, use this approach.
- **Predictive or Efficiency-Driven Formula Funding** — Funding formulas are generally designed to promote specific behaviors that reduce costs and improve operational efficiency. As such, most are intended to reimburse at less than full costs for the majority of districts. Some formula-based states determine funding levels based on the relative wealth of each district. Other states use statistical models to predict district costs based on a series of factors that influence transportation costs, such as district density, bus occupancy, geography, number of students transported, and miles traveled. These states often fund districts at the predicted cost levels. Several of these formulas are competitive in that they provide funding based on a district's performance relative to the most efficient district in the state. Approximately 13 states use predictive or efficiency-driven formulas, but there are significant differences in the type and complexity of the formulas

used. The following shaded box highlights how one state has implemented a predictive/efficient-driven formula.

North Carolina: How One State Uses a Predictive/Efficiency-Driven Formula

In the early 1990s the State of North Carolina decided to alter its method of providing funding for the 115 local education agencies (LEAs) that provide transportation for students attending public schools. The goal of changing the funding method was to create incentives that would promote the economical use of resources. Prior to this change, the state funded about 90 percent of the transportation costs incurred by the LEAs. In response to concerns that this funding approach gave LEAs few incentives to operate efficiently, a new funding formula was developed with the goal of improving the efficiency of transportation services.

North Carolina now provides transportation funding to LEAs based on a **formula that determines the relative efficiency of each LEA** by comparing how all LEAs within the State perform on several factors, such as the number of buses operated and the amount of dollars expended per student transported. In general, LEAs that perform the best on these factors are **deemed to be the most efficient transportation providers and qualify to receive state funding equal to 100 percent of the costs they incur**. All other LEAs are rated relative to the most efficient LEAs and qualify for state funding equal to a percentage of the costs they incur. **The formula also recognizes that site characteristics, over which districts have no control, have an important and uncontrollable influence on transportation costs.** Consequently, the formula makes adjustments for each LEA's rating based on a number of different site characteristics, including the LEAs student density, elevation, and the percentage of special education students transported. Further, to prevent LEAs from reducing costs by reducing services below acceptable levels, the North Carolina Department of Public Instruction set service standards and guidelines to which all LEAs must adhere in order to qualify for state funding.

Since the implementation of this new funding formula, North Carolina has notably improved the efficiency of its statewide student transportation system. Evidence that the formula is promoting efficiency includes the fact that mileage, when viewed as a proportion of the number of students enrolled statewide, has decreased by 27 percent from its 20-year trend line, and the total number of buses in the state used as a proportion of student enrollment have gone down by 28 percent.

While the formula has resulted in efficiency improvements, there are concerns that the cost efficiencies achieved may have come at the expense of service and possibly safety. Two troubling trends are significant increases in ride times, which may be causing a decrease in overall ridership, and an increase in accident rates. The formula is also under constant review to determine whether some LEAs have an unfair relative advantage in achieving operational efficiencies and may therefore qualify for a greater percentage of funding than districts at a relative disadvantage.

Figure 16 – Funding Methods By State

Funding Method	States
Block Grant	Arkansas, California, Indiana, Iowa, Kansas, Louisiana, Maryland, Michigan, Minnesota, North Dakota, Oklahoma, Pennsylvania, South Dakota (13 Total)
Approved Cost	Delaware, Idaho, Illinois, Missouri, Oregon, West Virginia, Wyoming (7 Total)
Per Unit Allocation	Alabama, Alaska, Arizona, Colorado, Georgia, Hawaii, Montana, Nebraska, South Carolina, Texas, Washington , Wisconsin (12 Total)
Predictive or Efficiency-Driven Formula	Connecticut, Florida, Kentucky, Maine, Mississippi, New Jersey, New Mexico, New York, North Carolina, Ohio, Tennessee, Utah, Virginia (13 Total)

Note: Five states (Rhode Island, New Hampshire, Vermont, Massachusetts, and Nevada) provide no funding and are not included in the table.

Criteria for Evaluating Funding Methods

The criteria below were introduced in Chapter 4 to evaluate Washington’s current funding method. This chapter applies them to evaluate the strengths and weaknesses of the four major funding methods in use throughout the country. **This evaluation is based on the most general definition of each approach; that is, how the approach is intended to operate rather than how it is actually implemented in any particular state.** This point is most clearly illustrated in the assessment of a per unit allocation approach, the type of funding method used in Washington. Many of the problems Washington has experienced with its per unit allocation funding method do not exist in other states that have implemented per unit allocation funding because greater clarity has been provided regarding specific definitions or the method has been implemented in a greatly simplified manner to eliminate complexity. The six criteria are:

- A. Does the funding method reflect actual costs of providing to/from transportation?
- B. How easy is the method to implement and administer?
- C. Does the method promote efficient use of state and local resources?
- D. Does the method maintain local control?
- E. Is the method easy to understand?
- F. Does the method result in predictable levels of funding?

A. Reflects Actual Costs

Pure Block Grant — This method generally does not reflect actual costs of providing pupil transportation. Foundational grants are intended to offset the costs of a number of programs and services provided by school districts.

Approved Cost Funding — This is the best method for reflecting actual costs because districts are partially or fully reimbursed for their actual operating expenditures on a variety of approved cost items.

Per Unit Allocation Funding — This method generally fails to account for operational factors that influence costs. For example, districts with widely dispersed student populations that require long travel times between bus stops generally receive the same per student or per mile funding allocation as districts that are densely populated and compact. This can result in significant under-funding for some districts and over-funding for others. On a statewide basis, however, some per unit methods reflect actual costs.

Predictive or Efficiency-Driven Formula Funding — This method is generally designed to reimburse at less than actual costs for most districts in order to promote cost-efficient behaviors. However, it is possible to implement the formula in a way that reimburses districts for their actual or predicted costs.

B. Ease of Implementation and Administration

Pure Block Grant — One of this method's biggest strengths is its ease of implementation and administration. It is popular in states that have small numbers of pupil transportation staff because it requires limited recordkeeping and reporting oversight. This also means there is limited accountability over how the money is spent.

Approved Cost Funding — It is generally easy to implement and administer this method once the state establishes a list of approved cost items and reimbursement standards. It does require financial oversight, review, and auditing at the state level to ensure reported costs are reasonable and reflect any state requirements.

Per Unit Allocation Funding — This method usually requires a minimum amount of reporting and recordkeeping to determine funding amounts. Administrative burden can increase when states modify their funding methods to promote efficiencies or increase accountability.

Predictive or Efficiency-Driven Formula Funding — This is the most difficult method to implement and administer. It requires significant oversight and involvement from state-level staff to establish formulas that encourage efficient behaviors, ensure that the formulas are in fact promoting the desired behaviors, to train local staff on how the formula operates, and to manage the allocation process. This approach also requires extensive record keeping and reporting requirements at the local level.

C. Ability to Promote Efficient Use of Resources

Pure Block Grant — Funding received under a pure block grant is generally not based on efficiency standards and has a very limited influence on a district's operating decisions to increase efficiency.

Approved Cost Funding — This method can provide a limited degree of influence in promoting operational efficiency, particularly in states that reimburse based on a statewide average cost. Promoting efficiency requires sufficient reporting and oversight at the state level so that individual district costs, typically on a cost per student or per mile basis, can be compared to statewide averages. Many states limit reimbursement to a maximum allowable amount based on statewide average costs. For states that reimburse on a percentage basis, such as 80% of approved costs, the same efficiencies may not be realized because districts are reimbursed at the same rate regardless of their operating practices.

Per Unit Allocation Funding — This method does not promote efficient use of resources in its basic form. Every district receives the same per unit allocation rate regardless of how efficiently they are operating their programs. However, many states have modified their funding methods

to include factors that promote efficient practices (e.g., incentive factors for using buses multiple times per day or filling buses to capacity).

Predictive or Efficiency-Driven Formula Funding — This method is the most effective approach for promoting efficient use of resources because formulas are designed to promote specific behaviors, such as utilizing available seat capacity on buses and using buses multiple times a day. In many states, funding is also based on a district’s relative performance in relation to the “most efficient” district in the state.

D. Ability to Maintain Local Control

Pure Block Grant— This method best maintains local control since operations, service levels, and efficiency considerations are left entirely up to the local districts.

Approved Cost Funding — Local control is strong because the method does not dictate particular operational practices. When efficiency factors are included, local control may be limited.

Per Unit Allocation Funding — This method maintains a high degree of local control because district operating practices are not the basis for determining funding amounts. However, local control is limited when states modify their funding methods to encourage specific practices.

Predictive or Efficiency-Driven Formula Funding — This approach can limit local control more than other approaches because funding amounts are generally based on statistically expected operational practices, such as achieving a benchmark level of statistically expected seat capacity utilization on buses. However, formulas can also be implemented in ways that promote efficient use of resources without dictating how the district reaches that goal.

E. Understandability

Pure Block Grant — Block grants are generally easy to understand. A portion of a state’s annual student allocation is intended to offset some of the costs of transportation operations.

Approved Cost Funding — This method is generally easy to understand because funding is based on what the state has defined as eligible cost items.

Per Unit Allocation Funding — In its purest form, this method is easiest to understand. All districts receive the same flat amount of funding per unit of allocation to cover their costs (e.g., \$45 per mile). The method’s simplicity can be greatly reduced, however, when states attempt to address differences in district site characteristics and other issues by modifying the allocation rate.

Predictive or Efficiency-Driven Formula Funding — The most difficult funding approach to understand, formulas for determining funding amounts are often statistically-based, using models that compare predicted costs to actual costs. Significant investments in time and resources may be required to educate staff at the state and local levels about how the formula works and what behaviors it is designed to promote.

F. Predictability In Funding

Pure Block Grant — While predictable from the state’s perspective, for local districts block grants may seem unpredictable because the portion of funding available for transportation may change yearly depending on the competing demands of other programs and services.

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





















Approved Cost Funding — Under this method, it is difficult for state budget makers to predict funding levels because funding is based on actual district expenditures that may fluctuate for a variety of reasons. At the local level, there is greater predictability because districts know which of their cost items are reimbursable.




Per Unit Allocation Funding — Predictability is high under this approach at both the state and local levels. Changes in funding amounts will directly reflect any increases or decreases in the unit of allocation (i.e., number of students, miles, or rides).

Predictive or Efficiency-Driven Formula Funding — Predictability tends to be high at the state level since the state determines the reimbursement rate and the benchmark levels of efficiency. At the local level, predictability of funding is less certain because the benchmarks can change each year and this impacts reimbursement levels.

Figure 17 summarizes how well each funding method in its most basic form meets the evaluation criteria just described. Because there are trade-offs to using any of the four methods, it is important to determine which criteria are the highest priorities for the State. Based on this policy decision, **the table should be used to assess how well each method meets the State’s priorities, understanding that no single method meets all the criteria effectively.** The starred arrows indicate which method (as described in the general sense) best meets that specific criteria. For example, the approved cost funding method is the approach that best meets the criteria of reflecting actual costs. The direction of the arrows might change if we were to evaluate a specific state’s method.

Figure 17 – Evaluation of Funding Methods

Evaluation Criteria:	Pure Block Grants	Approved Cost Funding	Per Unit Allocation	Predictive/ Efficiency Formula
Reflects Actual Costs				
Ease of Implementation/ Administration				
Promotes Efficient Use of Resources				
Maintains Local Control				
Easy to Understand				
Predictable Levels of Funding				

Key		
	Positive	* Best meets the criteria if implemented as intended. This rating does not reflect how a method has been implemented in any particular state.
	Neutral	
	Negative	

Source: JLARC.

APPLICABILITY OF FUNDING METHODS TO WASHINGTON

To determine whether an alternative funding approach should be considered in Washington, it is necessary to review the specific requirements in the State.²⁸ These include:

- Statutory obligation to fund to/from transportation operating costs “at one hundred percent or as close thereto as reasonably possible;” and
- Statutory recognition that local school districts and their board of directors are responsible for determining which students to transport and the most efficient way to transport those students.

Taken together, these requirements place operating decisions in the hands of the local districts but require the State to be the funding source. **It is theoretically possible to use any of the four major funding methods to meet these requirements**, but each method is likely to create tension between the mandated funding requirements and local control of operations. Additionally, the State has an interest in ensuring efficient use of state resources. A review of each approach with a focus on these requirements reveals its suitability to Washington.

- **Pure Block Grant** — This method strongly satisfies the local control requirement but it would be difficult to meet the statutory funding requirement unless the State required a specific portion of the block grant to be earmarked for transportation and ensured that this portion reflected actual operating costs. To the extent that some transportation costs may be considered basic education, there is also a legal question as to whether transportation funding can be distributed through block grants.²⁹
- **Approved Cost Funding** — This method is most common among states that have similar funding requirements to Washington (Wyoming, Idaho, Delaware, and Illinois)³⁰ because it reimburses the major costs of transportation. To implement this method, the State would need to clearly define what it considers to be operating costs. There are different levels of state oversight required depending on how detailed the definition of approved cost becomes. It is likely that this type of approach would improve the level of understanding across districts regarding eligible transportation costs while continuing to allow for local control over operations. If the State were to consider this approach, it might want to include measures that promote efficient service delivery practices.
- **Per Unit Allocation Funding** — Of all the states using a per unit allocation method, only South Carolina has a funding requirement similar to Washington’s and South Carolina is unique because the state (rather than any local district) incurs all of the capital and operational costs of providing transportation. Washington’s implementation of a per unit allocation approach has resulted in a large funding variance indicating that it does not reflect actual operating costs for most districts. The current funding method also includes some potential efficiency measures (such as radius miles and the minimum load funding) that do not appear to be driving efficiencies as implemented.

²⁸ RCW 28A.160.010 and RCW 28A.160.150.

²⁹ Doran II, Declaratory Judgment 12.

³⁰ All four of these states have statutory requirements to fund transportation for all districts at a rate of 80% of expenditures or higher.

- **Predictive or Efficiency-Driven Formula Funding** — A statistically-based predictive or competitive efficiency formula could be designed to promote efficiency without adversely impacting local control of operations. This method also recognizes many of the uncontrollable factors that influence district costs, such as student density, elevation, and roadway conditions. However, this funding method is inherently complex, requires significant reporting requirements and oversight, and it is likely that some districts would not receive full funding for their actual costs. Implementing this approach requires a large upfront investment in time and resources to design a method that reflects the State’s needs while also ensuring that districts understand how it operates and what operational practices the formula is intended to promote.

CONCLUSION

It is not possible to choose an approach that meets all of the State’s needs equally well. To determine the best funding approach for Washington, the State must first decide which of the many factors inherent in a funding method are of the highest priority.

OBJECTIVE 4: ARE THERE NATIONALLY RECOGNIZED BEST PRACTICES FOR FUNDING TRANSPORTATION AND DOES WASHINGTON FOLLOW THEM?

BEST PRACTICES IN TRANSPORTATION FUNDING

The final objective for this study is to determine whether there are nationally recognized best practices for funding pupil transportation and the extent to which Washington follows or could potentially follow these best practices. Based on an extensive review of funding practices nationwide, our consultants determined that **there are no best practices in funding methods, but there are best operating practices** that can potentially be used in any of the funding methods described in this chapter. Best practices in funding *methods* do not exist because, as mentioned earlier, each state’s method reflects its unique political, financial, and operational climate as well as its own goals for funding transportation. However, any funding method should recognize the differing burdens presented by geography, topography and density.

Geography, Topography and Density Factors — Transportation costs can be significantly influenced by the geography, topography, and density of a district. Many states have incorporated measures into their funding methods that recognize the influence of these factors to ensure that districts are appropriately compensated for some of the challenges they may face. Examples of these measures include a “hilliness” factor in Oklahoma recognizing topography challenges, a “sparsity” factor in New York and a “rurality” factor in Florida recognizing low density areas. Other states group their districts by density ratios and allocate different levels of funding to each of the density groupings.

BEST OPERATING PRACTICES

The operating practices identified below are elements of transportation funding that promote efficiency in both operations and use of resources. Like funding methods, they can be implemented in a manner that meets the unique needs of a state.

- 1. Eligibility Requirements** — Most states designate which students are eligible for transportation services based on the distance they live from school. The most common method for determining eligibility is the use of **shortest road miles**. This method recognizes that school buses travel on established roads and assumes that districts will use the shortest path route to school because it is the most efficient. Since there are instances where the shortest road route is not the most appropriate route to use, states typically need to have procedures in place for auditing the process districts use to determine shortest route distances. Most states have a requirement that students are eligible for transportation if they live further than one to two miles from school using the shortest roadway route.
- 2. Capacity Utilization** — Many states establish targets for the percentage of available bus capacity that should be used on a regular basis. A planning figure of 80 to 90% of available capacity to transport students eligible for services is generally considered to be an advisable target. Given that a portion of students who are eligible will not ride the bus on any given day, this target requires districts to plan their bus routing to ensure that they have both capacity to address anomalies in ridership demand and are using a majority of the available seats.
- 3. Route Pairing** — Another method of ensuring full utilization of bus capacity is reusing the same bus as many times as possible during the day. This practice promotes the use of multi-tiered start times for elementary and secondary schools so that the same bus can be used to pick up and drop off students at one school and pick up and drop off students at a second school while still delivering all students to school on time.
- 4. Seating Guidelines** — A final element in determining available bus capacity is the use of seating guidelines. These guidelines are typically established at the local level but three states have used them as part of their funding formulas. Seating guidelines are designed to recognize the fact that fewer middle and high school students than elementary students can fit on a bus seat due to their physical size. In effect, the guidelines reduce the functional seating capacity of buses used for middle and high school routes. A common guideline is two middle or high school students to a seat and three elementary school students to a seat. A seatbelt requirement will, in most cases, reduce capacity; however, this continues to be a changing aspect of the industry.

DOES WASHINGTON FOLLOW BEST OPERATING PRACTICES?

Washington has incorporated some elements of best operating practices into its funding approach. However, as discussed in Chapter 4, the manner in which these measures have been implemented has not necessarily resulted in operational efficiencies.

For example, the State has an eligibility requirement for any student whose route stop is more than one radius mile from school. **Washington is the only state in the nation using radius miles rather than shortest road miles to determine eligibility.**³¹ In some districts, students living within one radius mile from school may actually be five or more miles away by road.

³¹ Wyoming uses radius miles for districts that do not have their own transportation routing software. All other Wyoming districts use shortest roadway miles.

In addition, the **minimum load factor** is a version of a capacity utilization measure that was designed to recognize low student density considerations (i.e., districts with lower density would have a harder time filling their buses) rather than promoting greater use of available seating. However, minimum load funding can provide a perverse incentive to maintain low ridership on buses in order to receive additional funding. It also is provided to several densely populated districts in the State that transport their students farther than other districts due to desegregation programs or other program choices.

Finally, the **distance weighting factors** can be viewed as recognition that radius miles may not reflect actual road miles as a result of geography. However, as described in Chapter 4, these factors may not reflect the true cost increases that result from longer travel times on bus routes.

Despite the unintended implications of the measures incorporated in Washington's funding method, many Washington districts are pairing their bus routes and attempting to maximize the capacity utilization of their buses. It is important to note, however, that applying *any* efficiency measures to funding means that some districts will not be fully funded for their actual costs. It should also be noted that the State does incorporate efficiency factors in other areas of K-12 funding, such as teacher-student ratios under general apportionment.

SUMMARY

There are four major funding approaches used throughout the country. Each of these approaches satisfies different priorities and potentially could be applied in Washington. There are also four best operating practices that can be used in any of the funding methods. These practices encourage efficiency in operations and use of resources. Determining the best approach to funding depends on the goals of the State in funding transportation and which goals are of highest priority.

RECOMMENDATION

RECOMMENDATION 5:

The Legislature should establish a method for providing funds to operate to/from pupil transportation programs that reflects costs and the State's priorities in funding. If the State's highest priorities are local control and reflecting to/from costs, then the Legislature should establish an Approved Cost Method. If the State's highest priority is the efficient use of state and local resources, then the Legislature should establish a Predictive or Efficiency-Driven Formula that reflects to/from costs. In both cases, the Legislature will need to develop a method customized to Washington's needs.

CHAPTER SIX: CONCLUSION

FINDING:

On a statewide basis, there is no systematic method to account separately for to/from transportation, and the tools that do exist are incomplete and not audited. The financial statement shows only total direct program costs and these costs are not reported consistently across the State. The financial statement neither includes indirect costs to pupil transportation nor separates to/from costs from other pupil transportation costs. The primary tool used to distinguish to/from pupil transportation costs from other costs is the system of debit and credit transfers, but these are not consistently calculated or applied and they are not audited for accuracy or compared to the mileage report. In addition, some pupil transportation costs are billed directly to other internal and external groups and the financial statement may not separately identify the total costs or revenues related to these billings, making these costs difficult to account for on a statewide basis.

FINDING:

Accounting and reporting of certain transportation costs is not consistent across districts. The *Accounting Manual for Public School Districts*, while providing adequate information for reporting almost all costs, provides insufficient guidance to ensure consistent reporting of bus aide and utility costs. In addition, districts report vehicle and liability insurance inconsistently.

RECOMMENDATION 1:

The Legislature should require districts to separate to/from transportation costs from other transportation costs when reporting transportation expenditures so that the State can determine the extent to which funding reflects eligible transportation costs.

Legislation Required:

Yes.

Fiscal Impact:

There may be an impact related to training and information technology changes at the district and state level.

RECOMMENDATION 2:

The Superintendent of Public Instruction, in consultation with the State Auditor, should adopt rules and clarify instructions for tracking and reporting transportation costs. These should include:

- Adopting a standard method for calculating credit transfers and requiring all districts to use the standard method. The method should be auditable and tie miles reported for credit transfer purposes back to the mandatory mileage report.
- Clarifying whether districts may continue to directly charge another program for “other” transportation costs rather than using credit transfers. If so, the Superintendent should provide a means of applying these charges and revenues to the pupil transportation program.

- Clarifying Accounting Manual instructions concerning charging bus aides and utilities to the pupil transportation program.
- Enforcing Accounting Manual instructions concerning charging insurance to the pupil transportation program.

Legislation Required:

No.

Fiscal Impact:

Depending on the manner of implementation, there may be an impact related to training and information technology changes. OSPI is in the process of information system upgrades and it is assumed any needed changes could be incorporated into these upgrades.

Implementation Date:

August 2007

FINDING:

Definitional issues in statute and WAC currently prevent the funding method from reflecting actual costs. WAC definitions of shuttles exclude some regular transportation shuttles that meet the statutory definition, preventing districts from requesting funding for these shuttles. The statutory definition of to/from transportation does not reflect current mandates and educational realities. The statute is unclear on the scope of “instruction specifically required by statute.” School districts may be required to transport students for whom safe walking routes cannot be created but the districts do not always receive funding for the cost of transporting those students.

RECOMMENDATION 3:

The Legislature should review statutory language to ensure that there is clarity around what transportation costs the State intends to fund, including:

- Reviewing state and federal mandates and basic education programs and considering whether the current to/from definition needs amending.
- Clarifying “instruction specifically required by statute.”
- Considering whether to replace funding for K-5 enrollment within one mile with funding for transporting students who have hazardous walking conditions.

Legislation Required:

Dependent on whether the Legislature determines that current mandates require updated or clarified language.

Fiscal Impact:

None.

RECOMMENDATION 4:

The Superintendent of Public Instruction should change its WACs to conform to statute to ensure that all qualifying trips can generate funding by the State. This includes regular transportation shuttles that operate less than 144 days per year and specifying that public transportation may be used as a shuttle when it is available, appropriate, and an efficient use of resources.

Legislation Required:	No.
Fiscal Impact:	JLARC assumes that implementing WAC changes can be completed within existing resources. There may be an impact to the State if the number of shuttles eligible for funding changes.
Implementation Date:	January 2008 or earlier if there are no statutory changes in 2007.

FINDING:

On a statewide basis, JLARC estimates that there is a 95% probability that to/from pupil transportation expenditures exceeded state revenues by between \$92,619,322 and \$114,376,345 in the 2004-05 school year. 187 pupil transportation programs (71%) received less state funding than their statistically expected costs. Seventy-six pupil transportation programs (29%) received more state funding than their statistically expected costs. It is important to recognize that expected to/from costs for each district are less precise than the statewide total.

FINDING:

The current funding method cannot generate funding that reflects each district's actual costs due to significant structural and implementation problems. Radius Miles do not reflect actual or shortest road miles. Distance Weighting Factors do not reflect a relationship either between radius and road miles or to actual transportation costs and have not been adjusted despite structural changes to the funding method that have occurred. The Ridership Count process is unlikely to reflect average ridership because it may be too short, too early in the year, is only counted in the morning, and uses modified statistical modes rather than averages. It also excludes some routes not excluded by statute and counts some gifted and transitional bilingual students as special transportation students.

FINDING:

The current funding method fails to drive operational efficiencies. Higher density districts that are best situated for achieving operational efficiencies are less likely to receive funds that cover expected costs. Districts that have a high probability of actually spending less than they are expected to spend for to/from operations are also less likely to receive funds that cover their expected costs. Radius mile funding and the one-mile exclusion may have a limited effect on routing decisions.

RECOMMENDATION 5:

The Legislature should establish a method for providing funds to operate to/from pupil transportation programs that reflects costs and the State's priorities in funding. If the State's highest priorities are local control and reflecting to/from costs, then the Legislature should establish an Approved Cost Method. If the State's highest priority is the efficient use of state and local resources, then the Legislature should establish a Predictive or Efficiency-Driven Formula that reflects to/from costs. In both cases, the Legislature will need to develop a method customized to Washington's needs.

Legislation Required:

Yes.

Fiscal Impact:

It will require substantial additional funding to reflect district operating costs for to/from transportation.

AGENCY RESPONSES

We have shared the report with the Office of Superintendent of Public Instruction (OSPI) and the Office of Financial Management (OFM) and provided them an opportunity to submit written comments. Their written responses are included as Appendix 2.

ACKNOWLEDGEMENTS

We appreciate the assistance provided by the staff of OSPI, school districts, regional transportation coordinators and our consultants in conducting this study.

Ruta Fanning
Legislative Auditor

On November 29, 2006, this report was approved for distribution by the Joint Legislative Audit and Review Committee.

Representative Ross Hunter
Chair

APPENDIX 1: SCOPE AND OBJECTIVES

K-12 PUPIL TRANSPORTATION FUNDING FORMULA STUDY

SCOPE AND OBJECTIVES

OCTOBER 18, 2005



STATE OF WASHINGTON
JOINT LEGISLATIVE AUDIT AND
REVIEW COMMITTEE

STUDY TEAM

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BACKGROUND

Washington's school districts operate approximately 9,600 school buses, and in school year 2003-04 were responsible for transporting over 450,000 students to and from school every day.

Pupil Transportation is Part of Basic Education

The Washington State Constitution requires the state to pay for the basic education of all children residing in the state. In 1983, the Pupil Transportation Act defined transportation of eligible students to and from school as part of basic education. RCW 28A.160.150 further requires that operating costs for pupil transportation be funded at 100 percent or as close thereto as reasonably possible.

Current Funding

The 2005-07 Biennial Operating Budget appropriates \$491 million for pupil transportation. Of this, \$77 million is for capital costs related to school bus purchases, which was the topic of a 2005 JLARC report entitled "School Bus Bidding and Purchasing Study." The remaining **\$414 million is budgeted for operating costs**. This study addresses pupil transportation operating costs.

Funding Formula

Funding for pupil transportation operating costs for basic education is distributed to school districts based on a "per-weighted-mile" formula developed over 20 years ago. The weighting is applied to the straight line distances between bus stops and schools. There have been few changes to the funding formula since its enactment.

Prior to the current funding formula's adoption, many factors that potentially affect the operating cost of pupil transportation were considered and rejected as unusable for the funding formula. Technological advances now make it possible to consider whether inclusion of some rejected factors would be reasonable and whether they would improve the current formula. Further, the age of the formula raises questions about its consistency with current basic education practices and pupil transportation needs.

STUDY MANDATE

The Office of the Superintendent of Public Instruction, JLARC Report 96-01, and the 2004 House K-12 Finance Workgroup have all recommended a review of the pupil transportation funding formula as it relates to basic education.

In the 2005-07 Operating Budget, the Legislature directed JLARC to conduct a study of the K-12 pupil transportation funding formula.

STUDY SCOPE

In order to evaluate the extent to which the state pupil transportation funding formula reflects the costs of providing pupil transportation for basic education programs, this study will examine districts' basic education transportation costs, the elements of the funding formula, and the allocations generated by the formula. It will also assess alternatives to the current formula and any nationally recognized best practices for funding pupil transportation.

STUDY OBJECTIVES

In response to the legislative directive, the study will answer the following questions:

- (1) To what extent do school districts track or report pupil transportation costs for basic education programs?
- (2) To what extent does the current pupil transportation funding formula reflect the actual costs of providing pupil transportation for basic education programs?
- (3) Are there alternative formulas that would more accurately reflect the costs of providing pupil transportation for basic education? Do these alternative formulas both promote the efficient use of state and local resources and allow local control of pupil transportation systems?
- (4) Are there nationally recognized "best practices" for funding pupil transportation? If so, does Washington follow best practices? If not, to what extent can they be applied in Washington?

METHODOLOGY

This review will include:

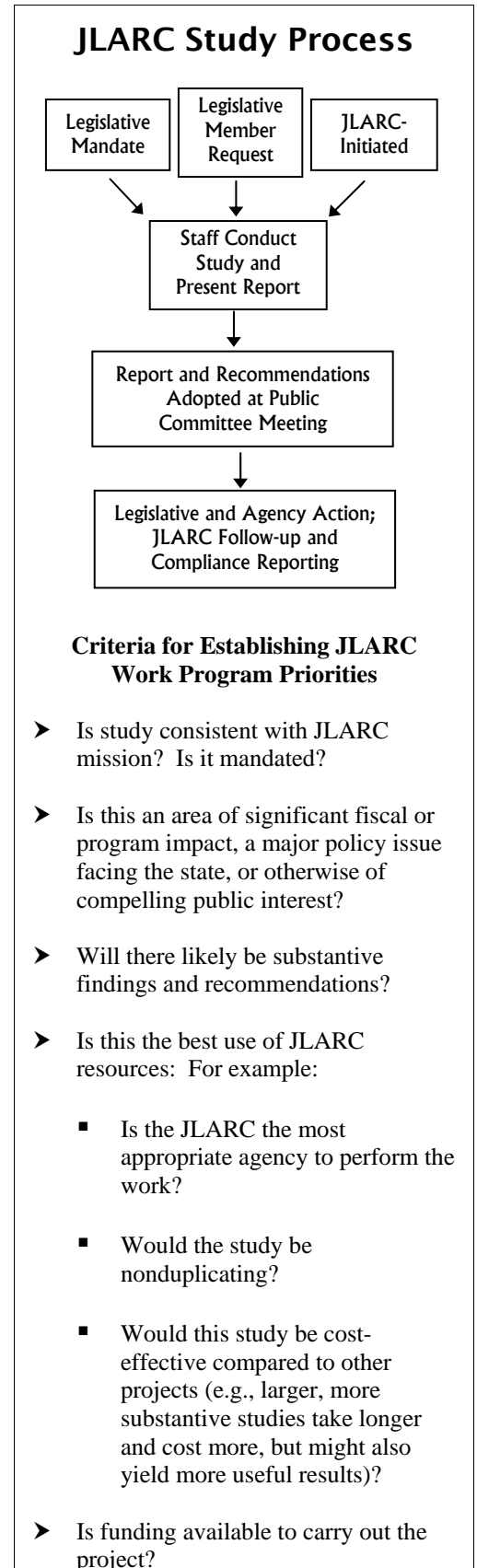
- Research to determine how elements of the funding formula were established;
- Visits to and in-depth examinations of selected districts' transportation costs;
- Observing the ridership count process; and
- A multi-state survey of transportation funding formulas and potential best practices in funding pupil transportation costs.

Timeframe for the Study

Staff will present its preliminary and final reports at the JLARC meetings in August and September 2006.

JLARC Staff Contact for the Study

Fara Daun (360) 786-5174 daun.fara@leg.wa.gov
 Stephanie Hoffman (360) 786-5176 hoffman.stephanie@leg.wa.gov



APPENDIX 2: AGENCY RESPONSES

- Office of Superintendent of Public Instruction
- Office of Financial Management



SUPERINTENDENT OF PUBLIC INSTRUCTION

DR. TERRY BERGESON OLD CAPITOL BUILDING • PO BOX 47200 • OLYMPIA WA 98504-7200 • <http://www.k12.wa.us>

August 23, 2006

Ms. Ruta Fanning, Legislative Auditor
Joint Legislative Audit and Review Committee
PO Box 40910
Olympia, Washington 98504-0910

RE: OSPI Response to JLARC's K-12 Pupil Transportation Funding Study

Dear Ms. Fanning:

Before addressing the specific recommendations contained in the Joint Legislative Audit and Review Committee (JLARC) report, I just want to thank you and your staff for such a quality product. The conclusions are based on sound research practices and attention to the many nuances of our archaic transportation funding system; it provides a solid foundation on which to build a new system.

I offer the following comments regarding the recommendations of the JLARC Pupil Transportation Funding Study Preliminary Report:

Recommendation and Position	Comments
#1 Concur	OSPI will work with the Governor and Legislature to identify appropriate language that will result in the ability for the State to determine school district to/from transportation costs and other costs that derive from required instruction.
#2 Concur	OSPI currently works with the State Auditor to publish the Accounting Manual for Public School Districts. My staff will initiate a process to adopt rules as necessary and clarify the specific instructions for tracking and reporting transportation costs. Training on such rules will begin promptly upon their adoption.
#3 Concur	I offer the assistance of my staff and our regional transportation coordinators in defining which educational programs should be covered by the pupil transportation funding system.
#4 Concur	OSPI has filed a CR103 Emergency WAC revision to bring the basic shuttle eligibility language in WAC 392.141 into alignment with RCW 28A.160.
#5 Concur	I offer the assistance of my staff and our regional transportation coordinators in developing a customized funding formula for the pupil transportation program.

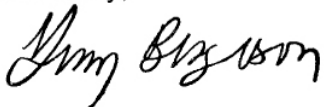
Ms. Ruta Fanning
August 23, 2006
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I would also like to offer my assistance as you consider how to address the under funding identified in the report. The preliminary report (page 30) states that **“JLARC does not recommend simply increasing the allocation rate used in the current funding method to add approximately \$100 million per year in new funding.”** I believe this statement is an expression of concern that 76 districts received more state funds than they spent; we estimate this to total less than \$2 million for all 76 districts or less than one percent of the total state funding for transportation. I agree that any steps that the Legislature takes should not provide a windfall of excess funds to a few school districts. However I believe there is a responsible mechanism to ensure that current examples of over-funding are not exacerbated. *The Legislature can simply prohibit district transfer of unexpended revenue to the Transportation Vehicle Fund.*

With new transfer restrictions in place, the Legislature can begin to address the under-funding immediately and begin to design a funding system for the long-term. In the 2006-07 supplemental operation budget, the Legislature can continue funding the substantial spike in fuel costs. The fuel spikes were addressed for the 2005-06 school year; but because analysts projected that fuel prices would decrease for the 2006-07 school year, there is no funding currently appropriated for the increases districts are experiencing. (This is critical because the under-funding identified in the JLARC study is based on the 2004-05 school year, a year preceding fuel price spikes.) Additionally, three changes to the current formula are appropriate immediately: a) adjust funding for mid-day kindergarten and shuttle routes; b) adjust distance weighting factors for basic education routes; and c) fully fund transportation of students within one mile of school. **Importantly**, these temporary mechanisms can be used without **over**-funding transportation in some districts. I will submit these proposals to the Governor and Legislature in my 2007-09 biennial budget requests, and look forward to assisting the Legislature in its development of a customized funding formula as recommended in the report.

Thank you again for your comprehensive research of the State’s Pupil Transportation Funding system.

Sincerely,



Dr. Terry Bergeson
State Superintendent
of Public Instruction

Cc: Senator Margarita Prentice
Representative Helen Sommers
Victor Moore, Office of Financial Management




STATE OF WASHINGTON
OFFICE OF FINANCIAL MANAGEMENT

Insurance Building, PO Box 43113 • Olympia, Washington 98504-3113 • (360) 902-0555

August 24, 2006

TO: Ruta Fanning, Legislative Auditor
Joint Legislative Audit and Review Committee

FROM: Victor A. Moore, Director 

SUBJECT: PRELIMINARY REPORT – K-12 PUPIL TRANSPORTATION FUNDING STUDY

Thank you for giving the Office of Financial Management (OFM) the opportunity to review JLARC's preliminary report on K-12 Pupil Transportation Funding Study. In general, OFM concurs with the recommendations in the report. Here are our specific responses.

Recommendation	Agency Position	Comments
1. The Legislature should require districts to separate to/from transportation costs from other transportation costs when reporting transportation expenditures so that the State can determine the extent to which funding reflects eligible transportation costs.	Concur	In placing new reporting requirements on districts, the Legislature may want to weigh the additional costs to districts against the benefits to be gained from the additional information. In addition, the Legislature should consider directing OSPI to identify existing transportation program reporting requirements that could be eliminated.
2. The Superintendent of Public Instruction, in consultation with the State Auditor, should adopt rules and clarify instructions for tracking and reporting transportation costs. These should include: * adopting a standard method for calculating credit transfers and requiring all districts to use the standard method. The method should be auditable and tie miles reported for credit transfer purposes back to the mandatory mileage report. * clarifying whether districts may continue to directly charge another program for "other" transportation costs rather than using credit transfers. If so, the Superintendent should provide a means of applying these charges and	Concur	Prior to adopting new reporting rules, OSPI should work closely with districts to minimize the potential for increased district costs and workload.



<p>revenues to the pupil transportation program. * clarifying Accounting Manual instructions concerning charging utilities to the pupil transportation program. * enforcing Accounting Manual instructions concerning charging insurance to the pupil transportation program.</p>		
<p>3. The Legislature should review statutory language to ensure that there is clarity around what transportation costs the State intends to fund, including: * reviewing state and federal mandates and basic education programs and considering whether the current to/from definition needs amending. * clarifying "instruction specifically required by statute." * considering whether to replace funding for K-5 enrollment within one mile with funding for transporting students who have hazardous walking conditions.</p>	Concur	
<p>4. The Superintendent of Public Instruction should change its WACs to conform to statute to ensure that all qualifying trips can generate funding by the State. This includes regular transportation shuttles that operate less than 144 days per year and specifying that public transportation may be used as a shuttle when it is available, appropriate, and an efficient use of resources.</p>	Concur	
<p>5. The Legislature should establish a method for providing funds to operate to/from pupil transportation programs that reflects costs and the State's priorities in funding. If the State's highest priorities are local control and reflecting to/from costs, then the Legislature should establish an Approved Cost Method. If the State's highest priority is the efficient use of state and local resources, then the Legislature should establish a Predictive or Efficiency-Driven Formula that reflects to/from costs. In both cases, the Legislature will need to develop a method customized to Washington's needs.</p>	Concur	

We look forward to your final report. If you have any questions, please contact Denise Graham at (360) 902-0572.

APPENDIX 3: SITE VISIT DISTRICTS

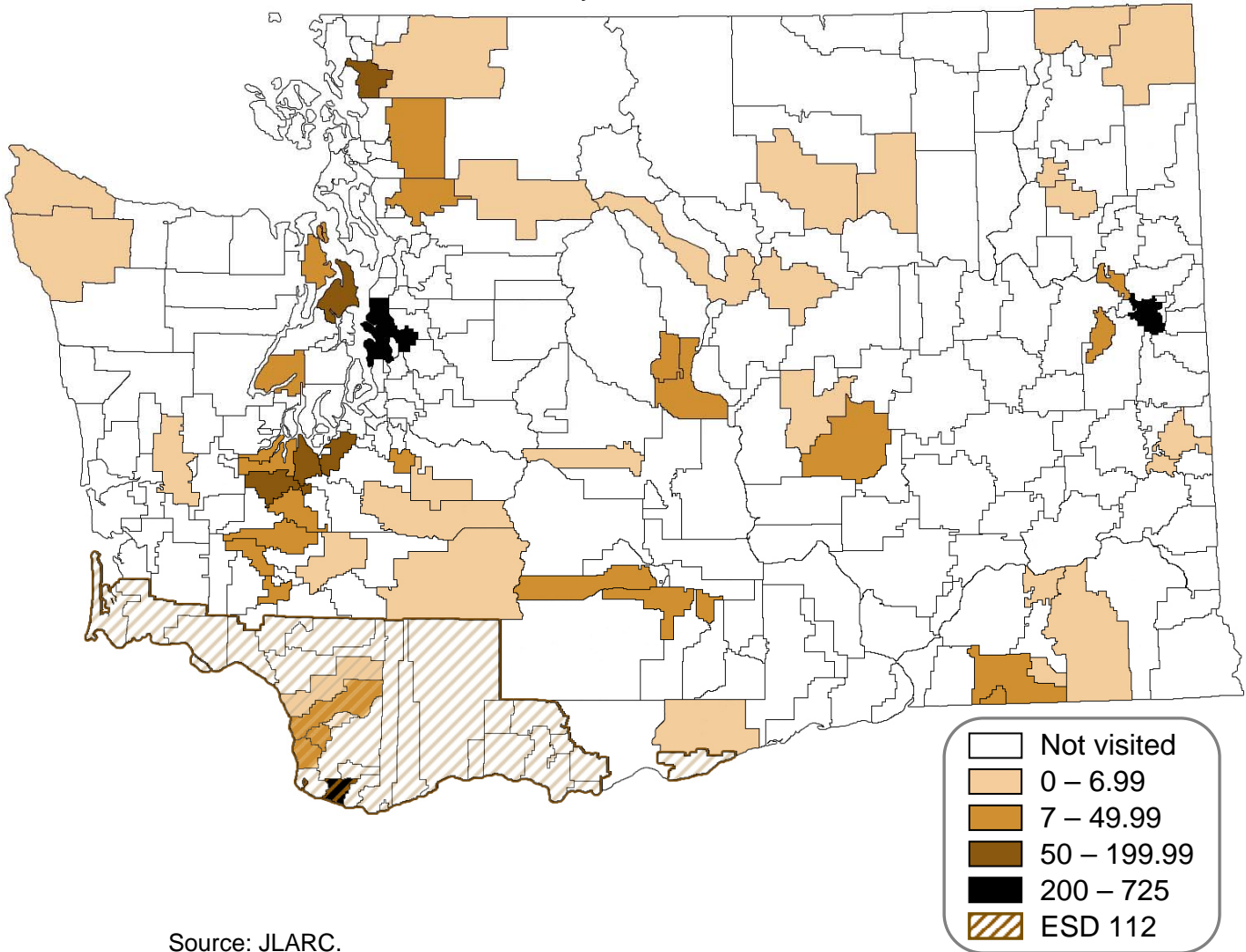
Adna	North Mason
Arlington	North Thurston
Bellevue	Northport
Bellingham	Oakesdale
Bickleton	Okanogan
Cape Flattery	Onalaska
Carbonado	Orting
Cashmere	Quillayute Valley
Centralia	Seattle
Chimacum	Sedro Woolley
Clover Park	Selkirk
College Place	Shoreline
Darrington	Spokane
Dayton	Starbuck
Dixie	Steptoe
Eatonville	Summit Valley
Ephrata	Tenino
Evergreen (Clark)	Thorp
Green Mountain	Tumwater
Griffin	Valley
Lake Chelan	Walla Walla
Mansfield	Wapato
Medical Lake	Wenatchee
Montesano	West Valley (Yakima)
Moses Lake	White Pass
Mount Baker	Winlock
Nespelem	KWRL Co-Op (Woodland)*
Nine Mile Falls	Zillah
North Kitsap	

*KWRL Coop operates a transportation program that serves Kalama, Woodland, Ridgefield, and La Center school districts. It is operated as a separate entity within the Woodland School District.

K-12 Pupil Transportation Funding Study

The map below shows the density (i.e., the number of enrolled students per square mile of land) of JLARC's site visit districts. JLARC selected these districts to be representative of the state in a number of factors, including location, geography, density, enrollment size, type of transportation program (i.e., district-operated, contracted, or multiple district cooperative), proportion of special education students, and whether a district has a high school.

Density of Site Visit Districts



Source: JLARC.

APPENDIX 4: JLARC ALLOCATION OF TO/FROM COSTS BY DISTRICT

“JLARC To/From Allocation” means:

1. For site visit districts, the JLARC allocation of to/from costs using:
 - Hours and miles, if possible;
 - Miles only, where hours could not be used; or
 - The contract and billings for districts that contracted for pupil transportation services. For districts that had to/from costs in addition to their contracted costs, the additional services were allocated using hours and miles as appropriate and miles only when the additional services did not include driver hours.
2. For districts not visited: This number represents JLARC’s miles-only allocation, and does not include any adjustments.

Because this method allocates costs based on the percentage of to/from miles traveled, it will understate to/from costs for districts that bill curricular programs directly for field trip and extra-curricular transportation rather than using credit transfers. This is true for both contracting districts and district-operated transportation programs.

The following table does not include 17 districts that provide transportation but did not submit a 2004-05 mileage report to OSPI. JLARC was unable to allocate these districts’ to/from costs.

District Name	JLARC To/From Allocation	District Name	JLARC To/From Allocation
Adna	\$265,274	Central Valley	\$2,417,540
Almira	\$100,042	Centralia-Chehalis Co-Op	\$1,965,758
Anacortes	\$693,899	Cheney	\$1,220,294
Arlington	\$1,773,549	Chewelah	\$353,896
Asotin-Anatone	\$200,485	Chimacum-Pt. Townsend Coop	\$1,154,091
Auburn	\$4,498,203	Clarkston	\$489,592
Bainbridge Island	\$1,260,464	Cle Elum-Roslyn	\$231,353
Battle Ground	\$5,449,684	Clover Park	\$4,173,315
Bellevue	\$4,271,288	College Place	\$256,571
Bellingham	\$2,169,445	Colton	\$90,982
Bethel	\$8,308,292	Columbia (Stevens)	\$332,680
Bickleton	\$129,021	Columbia (Walla Walla)	\$196,394
Blaine	\$642,511	Concrete	\$361,718
Boistfort	\$122,369	Cosmopolis	\$33,130
Bremerton	\$1,254,856	Coulee-Hartline	\$209,063
Bridgeport	\$102,673	Coupeville	\$318,212
Brinnon	\$72,772	Creston	\$101,917
Burlington-Edison	\$1,122,226	Curlew	\$89,929
Camas	\$1,592,565	Cusick	\$151,540
Cape Flattery	\$209,459	Darrington	\$151,540
Carbonado	\$65,654	Davenport	\$265,244
Cascade	\$599,346	Dayton	\$219,047
Cashmere	\$241,635	Deer Park	\$679,072
Castle Rock	\$391,436	Dieringer	\$659,711
Centerville	\$57,233	Dixie	\$53,682
Central Kitsap	\$3,908,888	East Valley (Spokane)	\$1,288,938

K-12 Pupil Transportation Funding Study

District Name	JLARC To/From Allocation	District Name	JLARC To/From Allocation
East Valley (Yakima)	\$678,259	Liberty	\$366,762
Easton	\$39,239	Lind	\$200,114
Eatonville	\$756,332	Longview	\$1,443,258
Edmonds	\$6,364,925	Loon Lake	\$165,770
Ellensburg	\$459,454	Lopez Island	\$90,893
Elma	\$622,251	Lyle	\$174,768
Endicott	\$158,019	Lynden	\$659,380
Entiat	\$145,856	Mabton	\$91,953
Enumclaw	\$1,923,602	Mansfield	\$127,914
Ephrata	\$768,357	Manson	\$183,604
Evaline	\$9,704	Marysville	\$3,434,860
Everett	\$5,385,474	Mason County Co-Op	\$2,885,680
Evergreen (Clark)	\$7,718,935	Mead	\$2,906,666
Evergreen (Stevens)	\$35,819	Medical Lake	\$802,434
Federal Way	\$5,913,920	Mercer Island	\$1,207,148
Ferndale	\$1,618,510	Meridian	\$523,207
Fife	\$1,123,335	Mill A	\$58,764
Finley	\$324,179	Monroe	\$2,381,138
Franklin Pierce	\$2,537,318	Montesano	\$334,231
Freeman	\$411,704	Morton	\$162,793
Garfield Palouse Co-Op	\$143,184	Moses Lake	\$2,008,940
Glenwood	\$30,745	Mossyrock	\$288,236
Goldendale	\$307,601	Mount Baker	\$981,477
Grand Coulee Dam	\$277,107	Mount Pleasant	\$40,086
Grandview	\$543,847	Mount Vernon	\$1,767,787
Granger	\$280,150	Mukilteo	\$3,279,118
Granite Falls	\$824,373	Naches Valley	\$578,348
Great Northern	\$48,506	Napavine	\$155,320
Green Mountain	\$82,853	Naselle Grays River	\$222,260
Griffin	\$452,710	Nespelem	\$149,007
Harrington	\$116,103	Newport	\$687,355
Highland	\$300,624	Nine Mile Falls	\$576,326
Highline	\$4,775,424	Nooksack Valley	\$567,339
Hockinson	\$791,016	North Beach	\$336,248
Hoquiam-Aberdeen Co-Op	\$1,348,013	North Franklin	\$1,033,528
Inchelium	\$173,588	North Kitsap	\$2,525,327
Index	\$55,263	North Mason	\$1,164,970
Issaquah	\$5,105,281	North River	\$65,672
Kahlotus	\$75,526	North Thurston	\$3,442,824
Keller	\$121,078	Northport	\$151,000
Kelso	\$1,362,962	Northshore	\$5,554,624
Kennewick	\$3,018,397	Oak Harbor	\$1,293,105
Kent	\$5,173,208	Oakesdale	\$124,200
Kettle Falls	\$387,291	Oakville	\$87,139
Kiona-Benton City	\$470,345	Ocean Beach	\$634,219
Kittitas	\$201,060	Ocosta	\$239,120
Klickitat	\$71,730	Odessa	\$176,193
KWRL (Woodland) Co-Op	\$1,584,526	Okanogan	\$324,162
La Conner	\$181,061	Olympia	\$2,190,059
Lacrosse Joint	\$174,589	Omak	\$427,536
Lake Chelan	\$429,340	Onalaska	\$335,404
Lake Stevens	\$3,023,288	Onion Creek	\$89,779
Lakewood	\$819,101	Orcas Island	\$67,463
Lamont	\$39,968	Orchard Prairie	\$14,476

K-12 Pupil Transportation Funding Study

District Name	JLARC To/From Allocation
Orient	\$166,658
Orondo	\$138,690
Oroville	\$195,282
Orting	\$581,002
Othello	\$713,159
Palisades	\$65,551
Pasco	\$3,106,215
Paterson	\$154,886
Pe Ell	\$136,465
Peninsula	\$2,860,435
Pomeroy	\$168,334
Port Angeles	\$1,268,665
Prescott	\$212,590
Prosser	\$847,451
Pullman	\$518,680
Puyallup	\$6,080,123
Quilcene	\$120,943
Quillayute Valley	\$370,660
Quinault	\$177,870
Quincy	\$870,398
Rainier	\$219,920
Raymond	\$264,772
Reardan-Edwall	\$448,581
Renton	\$3,653,420
Republic	\$211,795
Richland	\$2,002,458
Ritzville	\$223,960
Riverside	\$844,431
Riverview	\$1,280,018
Rochester	\$1,003,880
Roosevelt	\$55,977
Rosalia	\$104,414
Royal	\$589,104
San Juan Island	\$175,204
Seattle	\$24,651,402
Sedro Woolley	\$1,473,848
Selah	\$649,564
Selkirk	\$229,150
Sequim	\$626,670
Shoreline	\$2,657,066
Skamania	\$51,219
Skykomish	\$54,346
Snohomish	\$3,798,256
Snoqualmie Valley	\$1,773,659
Soap Lake	\$217,351
South Bend	\$219,104
South Kitsap	\$3,743,624
South Whidbey	\$905,953
Spokane	\$6,646,287
Sprague	\$93,414
St John	\$283,484
Stanwood	\$1,866,156
Starbuck	\$40,359
Steilacoom Hist.	\$705,753

District Name	JLARC To/From Allocation
Steptoe	\$38,756
Stevenson-Carson	\$299,575
Sultan	\$930,697
Summit Valley	\$35,387
Sumner	\$2,788,982
Sunnyside	\$831,681
Tacoma	\$8,943,489
Tahoma	\$2,745,825
Tekoa	\$62,173
Tenino	\$777,148
Thorp	\$49,143
Toledo	\$259,306
Tonasket	\$448,972
Toppenish	\$670,576
Toutle Lake	\$200,649
Trout Lake	\$32,354
Tukwila	\$375,729
Tumwater	\$2,006,394
Union Gap	\$48,821
University Place	\$1,047,353
Vader	\$119,042
Valley	\$137,057
Vancouver	\$5,667,271
Vashon Island	\$596,121
Wahkiakum	\$157,070
Wahluke	\$393,964
Waitsburg	\$86,069
Walla Walla	\$862,007
Wapato	\$892,166
Warden	\$197,574
Washougal	\$933,940
Washtucna	\$67,299
Waterville	\$185,931
Wellpinit	\$219,142
Wenatchee	\$1,262,083
West Valley (Spokane)	\$886,606
West Valley (Yakima)	\$983,760
White Pass	\$265,049
White River	\$1,667,906
White Salmon Valley	\$374,228
Wilbur	\$174,004
Willapa Valley	\$259,593
Wilson Creek	\$139,723
Winlock	\$333,995
Wishkah Valley	\$68,826
Wishram	\$6,095
Yakima	\$2,931,759
Yelm	\$2,008,492
Zillah	\$166,609
STATEWIDE TOTAL	\$301,688,556

APPENDIX 5: 50-STATE FUNDING METHOD SUMMARY

State	Funding Method	Funding Method Description						
Alaska	Per Unit Allocation	The State establishes a per pupil allocation in statute that is designed to address both the capital and operating costs of providing transportation services. The allocation represents the cost of transportation from FY2004 and is adjusted annually by one-half the Anchorage CPI.						
Alabama	Per Unit Allocation	The cost per loaded mile and cost per student day for each local board is determined by dividing the current year operating cost by the total number of loaded miles traveled for the year and the number of student days of transportation for the year, respectively. The statewide average and value of one standard deviation for the cost per loaded mile and cost per student day are calculated. If a district's costs are within or below one standard deviation of the statewide averages, the allocation rates are set equal to the cost factors. If the cost factors are greater than one standard deviation of the statewide averages, the allocation rates are set equal to the statewide averages plus one standard deviation. The operating allocation for each local board is computed using a combination of the allocation rate set for the cost per loaded mile and cost per student day. The combination is a ratio between the two cost factors. An allocation is also provided for fleet renewal based on a 10-year depreciation schedule.						
Arkansas	Block Grant	No direct funding is provided. Transportation is funded through per pupil foundation allocation.						
Arizona	Per Unit Allocation	<p>Transportation aid varies depending on the average daily route miles per eligible student transported. Calculation of the Transportation Support Level begins by dividing the district's total daily route miles by the total number of eligible students transported. The ratio obtained from this calculation is illustrated below to determine the district's funding per route mile:</p> <table border="0" data-bbox="602 1360 1015 1451"> <tr> <td>0.5 or less</td> <td>\$2.11</td> </tr> <tr> <td>More than 0.5 through 1.0</td> <td>\$1.77</td> </tr> <tr> <td>More than 1.0</td> <td>\$2.11</td> </tr> </table>	0.5 or less	\$2.11	More than 0.5 through 1.0	\$1.77	More than 1.0	\$2.11
0.5 or less	\$2.11							
More than 0.5 through 1.0	\$1.77							
More than 1.0	\$2.11							
California	Block Grant	Transportation is an optional service that may be provided by school districts. School districts and county offices of education are entitled to the lesser of the previous fiscal year approved home-to-school transportation expenses or the current fiscal year home-to-school transportation entitlement (including any supplemental grant add-on) increased for the statewide average growth and statewide average cost of living.						
Colorado	Per Unit Allocation	Districts are provided \$.3787 per mile traveled per state reporting requirements. Additionally, districts receive reimbursement 37.87% of actual operating costs above the amount derived from the per mile reimbursement.						

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State	Funding Method	Funding Method Description
Connecticut	Predictive/ Efficiency Formula	Transportation costs associated with traditional home-to-school route are funded based on a relative wealth index. The amount of funding is determined by a set amount of available funds given state budget allocations. Currently, costs are reimbursed at approximately 25% of actual allowable costs, on average. Special education transportation does not receive any state funding.
Delaware	Approved Cost	Different funding formulas are established for district operated and contractor operated buses. Funding is also different in the northern versus the southern portion of the state due to the distinct operating cost differential above and below the Delaware Canal. A per mile operating cost allocation is paid for district owned transportation services with personnel costs paid by the state. In addition, the State purchases the buses for district owned programs. For contracted programs, a higher per mile rate is paid that includes funding for capital purchases, operating costs, and personnel.
Florida	Predictive/ Efficiency Formula	State approved appropriations are distributed based on pro-rata share of total students transported for both regular and special education students. The formula applies a series of factors including price level index, bus occupancy (efficiency), and “rurality” factor to the product of last year’s state average cost per (transported) student times the number of students transported. Finally, funding is adjusted on basis of funds appropriated by the Legislature.
Georgia	Per Unit Allocation	The State establishes a series of per unit allocations for various elements related to provided transportation services, including driver salary and benefit costs, drug and alcohol testing, insurance, and operating costs. The operating cost allocation is determined based on a tiered average per mile cost formula for operations with similar capacity utilization rates. In addition, an allocation is provided for capital replacement based on a 14-year life for a school bus.
Hawaii	Per Unit Allocation	Parents are reimbursed for each ride the student takes to school and back on a \$.35 per ride rate, or \$.70 per day. Parents are to pick up forms from the local contractor (each contractor has different form) for reimbursement. These forms are submitted to the Department of Education either monthly, quarterly, or annually for reimbursement.
Idaho	Approved Cost	Approved transportation costs, defined in administrative regulations, are reimbursed at 85% of actual allowable costs. If a district’s average per pupil or per mile cost is greater than or equal to 103% of statewide average cost, than a district is reimbursed at 85% of the statewide average cost per mile or per student, whichever method provides the district with the greatest amount of funding.
Illinois	Approved Cost	School districts are reimbursed for 80% of all allowable expenses related to transportation and safety of students. Recent funding has provided for approximately 95% of the obligation (95% of the 80%) for regular education. The State has recently fully funded its special education obligation (100% of the 80% requirement). The State uses audit teams to verify actual expenses.
Indiana	Block Grant	As part of the per pupil foundation grants for special education students only.
Iowa	Block Grant	Transportation funding is included in a district’s foundation grant for all students.
Kansas	Block Grant	As part of the per pupil foundation grants for all students.

K-12 Pupil Transportation Funding Study

State	Funding Method	Funding Method Description
Kentucky	Predictive/ Efficiency Formula	The State has established specific reimbursement levels for a number of different transportation-related variables including population density, average daily attendance (ADA), fleet depreciation, and replacement to yield a net cost per student that is multiplied by the number of attendance days. Special education costs are reimbursed at up to four (4) times the rate for regular education students in the district.
Louisiana	Block Grant	Transportation is funded as part of the basic student foundation allocation.
Maine	Predictive/ Efficiency Formula	The State recently adopted a new transportation funding formula that functions similar to other efficiency model formulas. The formula considers density, geography, special education requirements, and other operational elements to derive a prediction on the cost of transportation services. Districts will be funded at this predicted level and would be responsible for funding any overage with local tax dollars.
Maryland	Block Grant	A baseline level of appropriation by county is established in statute and this value is adjusted annually by the Consumer Price Index. The annual increase in funding provided is at least 3% and no more than 8% annually. For special education students, an additional per pupil amount is provided and this amount is adjusted annually by the same CPI factor.
Massachusetts	None	The State does not provide any funding for pupil transportation. With the loss of all transportation funding most districts have adopted local "user" fees for transportation services. However, in an effort to encourage regionalization, funding is provided to regional transportation service providers at less than full cost.
Michigan	Block Grant	Districts are reimbursed 70.4165% of all related transportation costs. These costs include driver training, sick and personal time for supervision, drivers, mechanics, and bus attendants. Any maintenance costs to the vehicle are funded as well, such as parts and labor both in district and contracted services. Fuel is also reimbursed.
Minnesota	Block Grant	Transportation funding is included in the per pupil foundation grants for special education only.
Mississippi	Predictive/ Efficiency Formula	Transportation funding is determined by the average daily attendance of transported students in the school district. The allowable cost per student is calculated by using a rate table approved by the State DOE which associates the rate allowed to the transported density of the district. The end result is lower density values generate a higher funding rate and higher density values receive a lower funding rate. Total funding is capped at the state allocation limit and additional special education and vocational transportation allotments are determined yearly by the DOE superintendent. On average current reimbursement is 34.9%.
Missouri	Approved Cost	Approved transportation expenses are identified by individual districts and the State will fund 75% of the allowable costs. This funding is contingent on Legislative appropriations and as a result the current rate of reimbursement is 52%. The formula also includes a mechanism to identify districts that are expending greater than average per pupil costs so that state personnel can review and audit expenditures.

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Montana	Per Unit Allocation	A mileage-based formula that incorporates consideration of the type of bus (as determined by the passenger capacity) is used to reimburse for home to school transportation. The formula allows for different seating capacities for elementary and secondary students.
Nebraska	Per Unit Allocation	Both districts and parents (if parents transport students to school) are reimbursed from the student foundation grant at a rate of nearest mile traveled from home to school at the state approved mileage allotment rate. For students living four or more miles from their home school, those students are reimbursed at a rate equal to 125% of the approved rate set in statute. In addition, funding is provided for special education transportation for students less than five years of age if the programs are funded through the IDEA.
Nevada	None	Local districts are responsible for providing transportation and no funding is provided by the State.
New Hampshire	None	All funding is provided by local school boards and the State does not provide any funding for pupil transportation.
New Jersey	Predictive/ Efficiency Formula	Transportation costs are reimbursed based on a per student rate that is adjusted annually using the CPI. The formula has also established an incentive factor designed to encourage the efficient use of buses that requires at least a portion of district buses to be used for more than one trip per day.
New Mexico	Predictive/ Efficiency Formula	The formula is a competitive efficiency model based on student density, maximum use of vehicle capacity, and trip pairing. Multiple regression analyses are used to determine a predicted average cost per student given the adjustments in the formula coefficients. Funding is based on adjusted average cost per student.
New York	Predictive/ Efficiency Formula	Transportation funding is based on a district's approved expenditures (as detailed in regulations) using a formula that incorporates a sparsity ratio for rural districts with less than 21 per square mile and a sharing ratio that incorporates the wealth of a specific district as measured in an established formula.
North Carolina	Predictive/ Efficiency Formula	This is also a competitive efficiency formula. The formula evaluates district efficiency based on cost per student and buses used per 100 students transported. Actual costs are used to determine base costs via regression model. The formula also adjusts for site characteristics such as roadway circuitry and density. The final is calculated based on number of adjusted students x cost per student. A district's funding is based on its relative efficiency versus other districts in the State.
North Dakota	Block Grant	The State provides transportation funding based upon the number of miles traveled, number of students transported and the size of vehicles used.
Ohio	Predictive/ Efficiency Formula	A regression analysis is performed based on the miles traveled, students transported, and buses used to predict transportation costs for all districts in the State. Currently the State is funding approximately 60% of the costs.
Oklahoma	Block Grant	The formula uses density and capacity utilization to determine the proportional share of the allocated transportation funding.

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Oregon	Approved Cost	Each school district is ranked according to their average cost per student for approved expenditures. Reimbursements are provided based on a percentile ranking of relative cost per student. Given its percentile ranking a district is reimbursed at 70, 80, or 90% of approved costs. Approved costs also include related capital costs.
Pennsylvania	Block Grant	A three part cost allowance for each bus is calculated based on mileage and utilized passenger capacity. The allowance is then multiplied by a state approved cost of living factor. Eligible costs are also factored and multiplied by state aid ratio. Payments are lesser of eligible costs x aid ratio or the formula allowance The State also provides capital reimbursement for 15 years at maximum of \$700 per bus, for max. total of \$10,500.
Rhode Island	None	The State does not provide funding for pupil transportation services.
South Carolina	Per Unit Allocation	Based on cost per minute for drivers of approved driving and prep time. Rate now is \$0.13 per minute (\$7.80/ hour). Each district submits its routes to the State for approval and the districts are provided funding based on pro-rate share of total minutes of all districts in the state if the funding provided by the Legislature is less than that required for full funding. Special needs transportation is reimbursed at \$.305 per mile to max of 64 miles/ day. It should be noted that the State purchases, maintains, fuels, and indemnifies the entire fleet. Districts do not incur any capital or fleet operational costs, unless they choose to buy their own buses for non-approved programs.
South Dakota	Block Grant	Funding is provided for special education students only through the foundation grant.
Tennessee	Predictive/ Efficiency Formula	By State code pupil transportation is permissive. For school districts that elect to transport additional dollars are added to the non-classroom section of the foundation grant. The amount of funding is based on a sliding scale that reflects the municipality's fiscal capacity to raise local taxes.
Texas	Per Unit Allocation	The State formula pays based on lesser of (a) last years actual cost per mile, or (b) formula cost per mile. Rates established by Legislature according to one of seven density groupings with corresponding rate per mile. The rate by density grouping is applied according to three primary programs: (1) Regular, (2) Special Education, and (3) Career & Technology.
Utah	Predictive/ Efficiency Formula	The State provided transportation based on a combination formula that incorporates the time of bus routes. The hourly rate of reimbursement is based on the average statewide bus driver salary and a pro-rated portion of all benefits such as sick leave, insurance, training and pre-trip time is allocated for reimbursement. Additionally, the State reimburses for miles traveled at the state average per mile cost. Equipment and administration costs are also reimbursed at a flat rate of \$.39 per mile.
Vermont	None	The State considers pupil transportation an option and does not provide any funding for transportation services.

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Virginia	Predictive/ Efficiency Formula	<p>The formula groups districts according to student density and provides for the weighted average cost per pupil for regular education and special education within each grouping. For special arrangements for special education students (e.g., taxi, parent transports, etc.) only one statewide prevailing per pupil cost is calculated and applied to all divisions. For districts using transit services the regular education prevailing per pupil amount is used. The average cost is multiplied by the number of students to derive the additions to the basic aid amount for operations.</p> <p>Capital costs are provided for by comparing the actual versus the projected number of buses required to transport students in groups of 100. The count of buses in the district fleet is divided by 12 to derive the number of buses needed annually. For each division, the total replacement cost is added to the Basic Aid account, which is paid out on a per pupil basis using a state-local share based on local ability-to-pay.</p>
Washington	Per Unit Allocation	<p>Funding is based on the number of students picked up at each radius mile distance from school (up to 17 radius miles), the distance between route stops and school measured in radius miles, and the number of trips provided per day (for each route type). This results in a “weighted student” number for each route type at each radius mile distance which is then multiplied by a state allocation rate to determine annual funding levels. There are adjustments to funding beyond this base allocation, including additional funding for all special transportation trips and for regular transportation trips with less than an average of 74 students per bus. Students whose bus stops are within 1 radius mile of school are not eligible for funding under this method.</p>
West Virginia	Approved Cost	<p>Transportation costs are reimbursed at designated rates for specific aspects of the operation. Reimbursements for actual transportation expenditures for maintenance, operation and related costs, exclusive of all salaries is 85% for the school districts whose ratio of student population to square miles is greater than the state average and 90% for the school districts whose ratio is less than the state average. Insurance premium costs on buses, buildings and equipment used in transportation, provided that such premiums were procured through competitive bids, are reimbursed at 100%. Capital funding is provided at 8.33% of the current replacement value of each school district's bus fleet plus the remaining replacement value of buses purchased after July 1, 1999, that attain 180,000 miles. In addition, districts that experience an increase in net enrollment may apply for funding for additional buses. Approved transportation expenditures for operations, maintenance, and related costs, exclusive of salaries, incurred in transporting students to and from multi-county vocational centers are reimbursed at 95% of allowable costs.</p> <p>Each district's allowance is limited to 1/3 above the computed state average allowance per mile multiplied by the total mileage for the district. Also, one-half of one percent of each district's allowance must be expended for trips related to academic classroom curriculum.</p>

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Wisconsin	Per Unit Allocation	A per pupil allocation is provided based on the distance of the student from school. For students less than the minimum distance of two miles who are transported due to hazardous conditions, a rate is also established. Special education transportation is reimbursed on a percentage of incurred costs. However, in order to be reimbursed for special education transportation the bus used to transport the student must be dedicated to special education students only.
Wyoming	Approved Cost	Reimbursement is provided for all transportation services including home to school, field, and activity trips. The amount of reimbursement is based on the previous year expenditures for approved transportation costs as established in the appropriate administrative regulations.

