

**K-12 PUPIL
TRANSPORTATION
FUNDING STUDY**

REPORT 06-10

REPORT DIGEST

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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.