K-12 Pupil Transportation Funding Study

PRELIMINARY REPORT

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Joint Legislative Audit & Review Committee

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Today's Presentation

- Overview
  - Study mandate, terminology & objectives
- Background
  - Size of the pupil transportation program
  - How the current funding method works
- For Each Objective
  - What we studied and our methods
  - Findings
  - Recommendations

Study Mandate

Overview

The 2005-07 Operating Budget directed JLARC to:

- Study whether the state pupil transportation funding method reflects the costs of providing pupil transportation
- Develop funding alternatives that reflect costs, promote efficient use of state and local resources, and maintain local control
- Evaluate best practices

Key Terms

Overview

- Statute defines "**to/from**" transportation as transportation between:
  - Route stops and schools
  - Schools, under an inter-district agreement
  - Schools and learning centers for required education (shuttles)
  - Schools and agencies for special education
- "**Other**" transportation refers to:
  - Field trips, athletic events, ASB Clubs, etc.

Study Objectives Related to the Current Funding Method

Overview

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?

Study Objectives Related to Alternatives and Best Practices

Overview

3. Are there alternative funding methods that would more accurately reflect the costs of providing to/from pupil transportation?
   - Do these alternatives both promote the efficient use of state and local resources and allow local control of pupil transportation programs?
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?

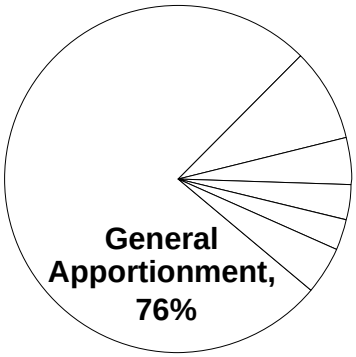
Overview of Findings

- There is no systematic method to account separately for to/from transportation costs.
- Accounting and reporting are inconsistent across state.
- In 2004-05, expected to/from transportation costs exceeded funding by an estimated $93 — $114 Million.
- Current funding method does not generate funding that reflects to/from transportation costs.
- Current funding method fails to drive operational efficiencies.
- Current language in statute & WAC prevent the funding method from reflecting costs.

Size of Pupil Transportation Program

Background

Total K-12 General Fund—State Operating Appropriation = $11 Billion



Special Education, 8%

Other Public Schools, 5%

Levy Equalization, 3%

Compensation Adjustment, 3%

Pupil Transportation, 5%
$500 Million

In the 2004-05 School Year

- 483,250 students
- 7,000 buses
- 25,000 bus routes
- ~ 90 million miles

What are the Key Elements of the Current Funding Method?

Background

1. Student Count (number of riders)
2. Number of Trips Per Day
3. Distance (in Radius Miles)
4. Distance Weighting Factor (assigned to each Radius Mile)
5. Allocation Rate (set by the Legislature)

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JLARC K-12 Pupil Transportation Funding Study

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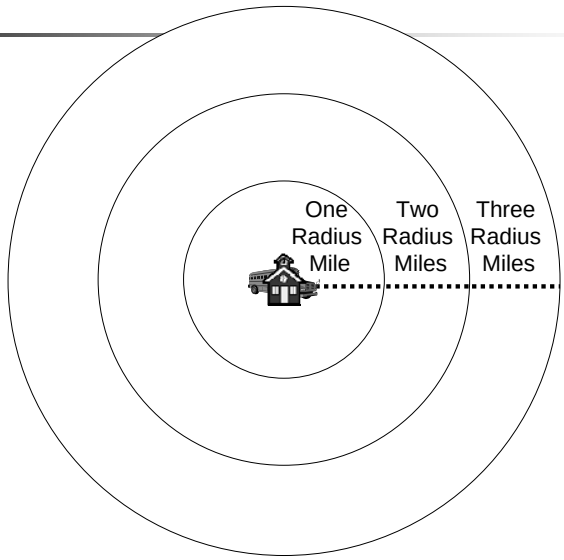
What is a Radius Mile?

Background



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What is a Distance Weighting Factor (DWF)?

Background

- A Distance Weighting Factor is a number that is assigned to each Radius Mile to “weight” the number of students.
- Weighting results in more funding for longer distances.

How does the Current Funding Method Work?

Background

Students x Trips/Day x DWF x Allocation Rate = $

For Example

10 x 2 x 3.20 x $40.66 = $2,602.24

This calculation is repeated for every route type at every radius mile distance in each district.

Objective 1

To what extent do school districts track or report to/from pupil transportation costs?

Districts Must Submit Three Annual Reports to OSPI

Objective 1

- Ridership Report
  - Reports the number of student riders in the fall
- Mileage Report
  - Reports bus miles for each district
- Financial Statement (F-196 Report)
  - Summary report: does not separate “to/from” costs
  - Costs charged to other programs are not uniformly calculated or identified
  - Some cost items are reported inconsistently

Accounting & Reporting Issues
Findings

Objective 1

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

  E.g., Bus aides, utilities, insurance

Recommendation 1

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

Recommendation 2

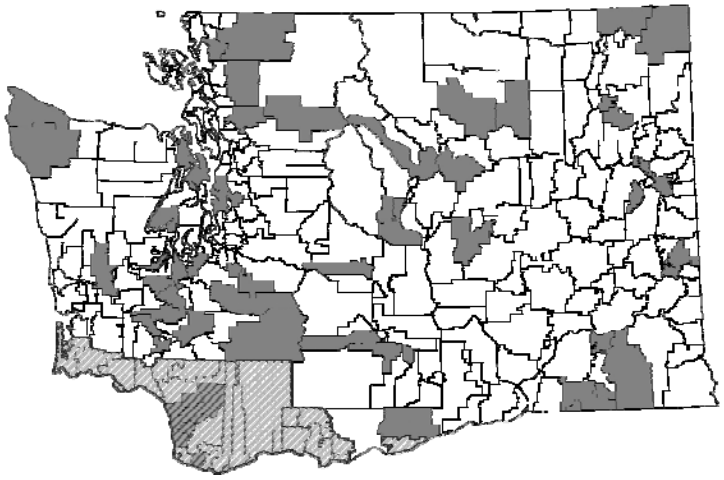
The Superintendent of Public Instruction, in consultation with the State Auditor, should adopt rules and clarify instructions for tracking and reporting transportation costs.

Objective 2

To what extent does the current pupil transportation funding method reflect the actual costs of providing to/from pupil transportation?

JLARC Studied 57 Districts and 1 Educational Service District

Objective 2



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JLARC Approach to Estimating To/From Costs

Objective 2

JLARC used **two** methods to Estimate Costs

- Cost Allocation Method
  - Asked a series of questions to allocate reported costs between “to/from” and “other”
- Statistical Method
  - JLARC hired experts in statistics & pupil transportation
  - Used to test validity of allocation method and provide measurements of confidence around estimate
  - Identifies characteristics that are significant in determining costs

Results of Cost Estimates

Objective 2

- Five characteristics independent of district control were statistically significant in determining costs.
- Using these characteristics, the model provided an estimate of to/from costs districts **would be expected** to incur (**expected costs**).
- Statewide, $300 Million of the $332 Million (90%) reported pupil transportation expenditures are for to/from costs.

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Comparing Costs to Funding

Objective 2

- The model compared **expected costs** to actual funding to determine the **funding variance.**
  - **Funding variances** can be positive or negative.

Current Funding Method
Finding

Objective 2

- On a statewide basis, JLARC estimates that there is a 95% probability that to/from pupil transportation expenditures exceeded state funding by $93 — $114 Million in the 2004-05 school year.

*JLARC cautions the State to consider **how** it will allocate funding before appropriating any additional funding to individual districts.*

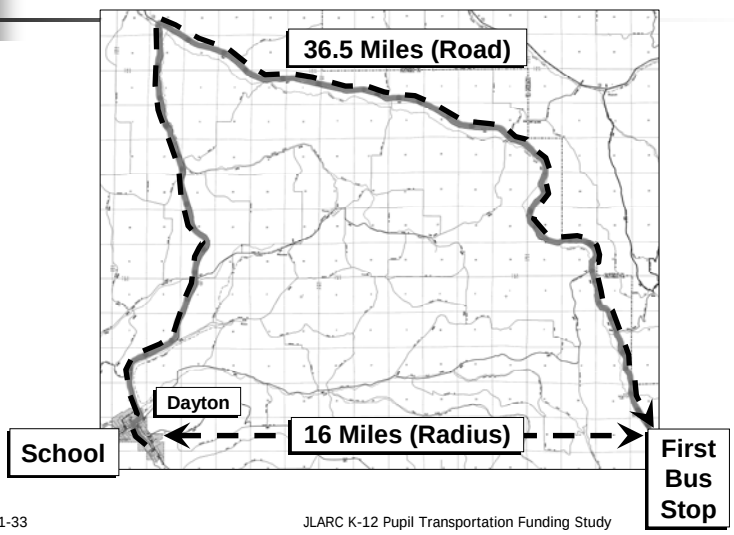
Why is there A Funding Variance?

Objective 2

- Structural & Implementation Issues with Method
  1. Radius Miles
  2. Distance Weighting Factors
  3. Hazardous Walking Conditions & K-5 / 1 Mile
  4. Ridership Count process
  5. Operational Efficiencies
- Statutory & WAC Language Issues
  1. WAC definitions are narrower than statute
  2. To/From definition may not reflect changes to mandates

Structure & Implementation
1. Radius Miles

Why is there a funding variance?



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Structure & Implementation
2. Distance Weighting Factors

Why is there a funding variance?

- Historical documents indicate that Distance Weighting Factors (DWF) were intended to adjust for differences between radius and road miles.
- DWF adopted in WAC did not match historical documentation from OSPI.
- DWF were never adjusted when changes were made to funding method.

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Structure & Implementation
3. Hazardous Walking Conditions

Why is there a funding variance?

- Prior to 1996, students within 1 radius mile *were not* excluded from eligible student definition if they faced hazardous walking conditions.
- In 1996, hazardous walking funding was eliminated and *replaced* by K-5 Within 1 Mile Enrollment Funding.
- On a per student basis, the 1996 formula generates about 22% of former funding.

Structure & Implementation
4. Ridership Count Process

Why is there a funding variance?

- The Ridership Count process is very burdensome and not likely to reflect to/from costs because:
  - Count early, short, only occurs once a year
  - Modes may not reflect actual ridership
  - AM and PM ridership may be different
  - Reporting forms exclude some eligible transportation routes

Structure & Implementation
5. Operational Efficiencies

Why is there a funding variance?

- Current method includes elements that *could* promote operational efficiencies, but may not.
  - Funding by radius miles
    - Routing may be driven more by practical concerns such as whether the bus can turn around or streets that must be avoided during rush hour.
  - 1-mile funding exclusion
    - Districts must create safe walking routes. If not possible, districts may feel they must transport.

Structure & Implementation
5. Operational Efficiencies (Cont.)

Why is there a funding variance?

Minimum Load Factor provides additional funding for districts that are unable to achieve average loads of 74 students per bus.

- WAC states this factor is intended to achieve efficient bus loads
- In practice, it funds those who do not achieve full buses

Structure & Implementation Findings

Why is there a funding variance?

- The current funding method cannot generate funding that reflects each district's actual costs due to significant structural and implementation problems.
  - Some districts receive more funding than expected costs, most receive less.
- The current funding method fails to drive operational efficiencies.

Statutory & WAC Issues Finding

Why is there a funding variance?

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

- WAC definitions around eligible shuttles are narrower than the statute.
- Definitions in statute are unclear, missing, or may be out of date.

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 mandates and considering whether the current to/from definition needs amending
- Defining “instruction specifically required by statute”
- Considering whether to replace K-5 enrollment funds with hazardous walking conditions funds

Recommendation 4

OSPI should change its WACs to conform to statute to ensure that all qualifying trips can generate funding by the State to:

- Include all shuttles eligible under the statute
- Specify that public transportation may be used as a shuttle when available, appropriate, and an efficient use of resources

Objective 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 programs?

Four Major Funding Methods

Objective 3

1. Block Grant *(13 states)*
   - Transportation funding is assumed to be part of general K-12 grant
2. Approved Cost *(7 states)*
   - Reimbursement for a percentage of eligible costs
3. Per Unit Allocation *(WA & 11 other states)*
   - Fixed allocation per unit of service (miles, students)
4. Predictive or Efficiency-Driven Formulas *(13 states)*
   - Designed to promote efficient behaviors

Six Criteria for Assessing Funding Methods

Objective 3

1. Does the method reflect actual costs?
2. How easy is it to implement and administer?
3. Does it promote efficient use of state and local resources?
4. Does it maintain local control?
5. Is it easy to understand?
6. Does it result in predictable levels of funding?

No method meets all criteria equally well.

Objective 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?

Are There Best Practices?

Objective 4

- No one of the four **types** of funding methods can be described as a best practice.
- However, funding should recognize differences in geography, topography, & pupil density.
- There are best **operating** practices.
  - Eligibility requirements
  - Capacity utilization
    - Route pairing
    - Seating guidelines

Does Washington Follow Best Practices?

Objective 4

- The current funding method does not *effectively* recognize differences in geography, topography and pupil density.
  - **Eligible student** definition is tied to **Radius Miles** which is not a best practice
  - **DWF** are not related to road miles or costs
  - **Minimum Load Factor** works opposite of intent
- Washington districts appear to use some best operating practices.
  - Districts pair routes & some have seating guidelines

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 priorities are local control and reflecting to/from costs, use an Approved Cost Method.
- If priority is efficient use of resources, use a Predictive/Efficiency-Driven Formula.
- Legislature must customize method to Washington.

Timeline & Contact Information

- Proposed Final Report: September 20, 2006

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