

Increased Fuel Costs, JB

Agency: 350 Office of Superintendent of Public Instruction
Budget Period: 2007-09

Recommendation Summary Text (Short Description):

The rapid escalation in the price of diesel fuel is exacerbating the underfunding of pupil transportation and is creating additional stress on school districts' budgets. The result is a drain on budgets and ending fund balances at a time when the K-12 funding system is already underfunded across the board. Superintendent Bergeson asks that the Legislature fund \$22.5 million in supplemental funding to school districts to compensate for the increase in fuel costs.

Fiscal Detail

Operating Expenditures		FY 2008	FY 2009	Total
Increased Fuel Costs	001-01	\$0	\$22,500,000	\$22,500,000
Total Cost		\$0	\$22,500,000	\$22,500,000

Staffing	FY 2008	FY 2009	Annual Avg.
Total FTEs Requested	0	0	0

Package Description

Increasing fuel prices are causing districts to rethink how they do business. Schools across the country are considering four-day weeks and cutting routes to adjust for fuel prices that could not have been anticipated two years ago. Coupled with the underfunding of other basic education program salaries and non-employee related costs (NERCs), districts are running out of local levy money and ending fund balances to subsidize these state responsibilities. Superintendent Bergeson requests \$22.5 million to provide relief to districts for increased fuel prices.

Contact person

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Narrative Justification and Impact Statement

The current rapid escalation in the price of diesel fuel is exacerbating the underfunding of pupil transportation and is placing a great stress on school district budgets. The impact has been a drain on school districts' general funds and reserves at a time when the K-12 system is suffering from underfunding in many other formula computations.

Is this decision package essential to implement a strategy identified in the agency's strategic plan?

This decision package supports Goal 4: Provide a K-12 funding system that promotes student success.

Reason for change:

Fuel costs are rising so quickly and districts are using more local levy funds to subsidize the transportation program.

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Does this decision package provide essential support to one of the Governor's priorities?

This decision package supports improvement of student achievement in elementary, middle and high schools by funding districts to be able to provide a transportation program that will ensure all students can safely get to and from school.

Does this decision package make key contributions to statewide results? Would it rate as a high priority in the Priorities of Government process?

Pupil Transportation is a basic education program and is required by law to fully fund it.

What are the other important connections or impacts related to this proposal?

A consultant under contract to the Office of Financial Management will be developing two funding formula options to be delivered to the Legislature prior to December 1, 2008. This request serves as a bridge between the current underfunded system that does not have a timely way to recognize increases in fuel costs and a new funding formula.

The Legislature has a history of providing additional funding to recognize increased fuel prices. In two supplemental budgets (2006 and 2007), the Legislature provided a total of \$12 million. In addition, to recognize the underfunding findings of the Joint Legislative Audit and Review Committee, the 2007 Legislature, in their 2007-09 biennial budget, also provided \$25 million toward an estimated \$200 million problem.

Impact on Clients and Services

Providing the funding for increased fuel costs will allow school districts to keep programs that would otherwise be cut to pay for a basic education program.

Impact on Other State Programs

None.

What alternatives were explored by the agency, and why was this alternative chosen?

One alternative would be to remove fuel expenditures from the base student transportation funding system and provide a reimbursement system for only those costs. Legislative concerns regarding any straight reimbursement model focus on the lack of fiscal restraints typically provided by such systems. These concerns are realistic, but can be fully addressed by other systematic means. The ability to provide restraints on expenditures when using a reimbursement system for fuel costs is enhanced by the small overall portion that fuel costs represent of a district's pupil transportation budget (statewide total Object 5 expenditures represent 14.6 percent of total pupil transportation expenditures, while wages and benefits represent 72 percent of total expenditures). Any efficiency factor included in the new funding system would also be able to be applied independently to adjust each individual school district's fuel reimbursement.

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A second approach for isolating school districts from fuel cost variability is to provide fuel through a master contract with the Washington State Department of General Administration (GA). Fuel deliveries could be provided for those districts with on-site storage facilities (most districts). Other contracts could be provided to smaller districts to access fuel through other locations. A reimbursement system (with similar constraints to those indicated above) would probably be required to address the fuel costs of some small districts (without on-site storage) in remote, rural locations. The cost of fuel provided under the contract would be charged by the GA to a separate, legislatively established account and tracked by individual school district. (Providing fuel for heating school buildings could be included in this system.)

Superintendent Bergeson supports using the current system the 2007 Legislature used to provide additional funding to districts for transportation because two options for a new funding formula will be provided to the Legislature prior to December 1, 2008.

What are the consequences of not funding this package?

The rapid escalation in the price of diesel fuel is exacerbating the underfunding of pupil transportation and is compromising the programmatic options for students. The impact has been a drain on school districts' levy funds and reserves at a time when the K-12 system is suffering from underfunding in all other formula computations. By not funding this package, the school districts' financial resources will be further drained.

What is the relationship, if any, to the state's capital budget?

None.

What changes would be required to existing statutes, rules, or contracts, in order to implement the change?

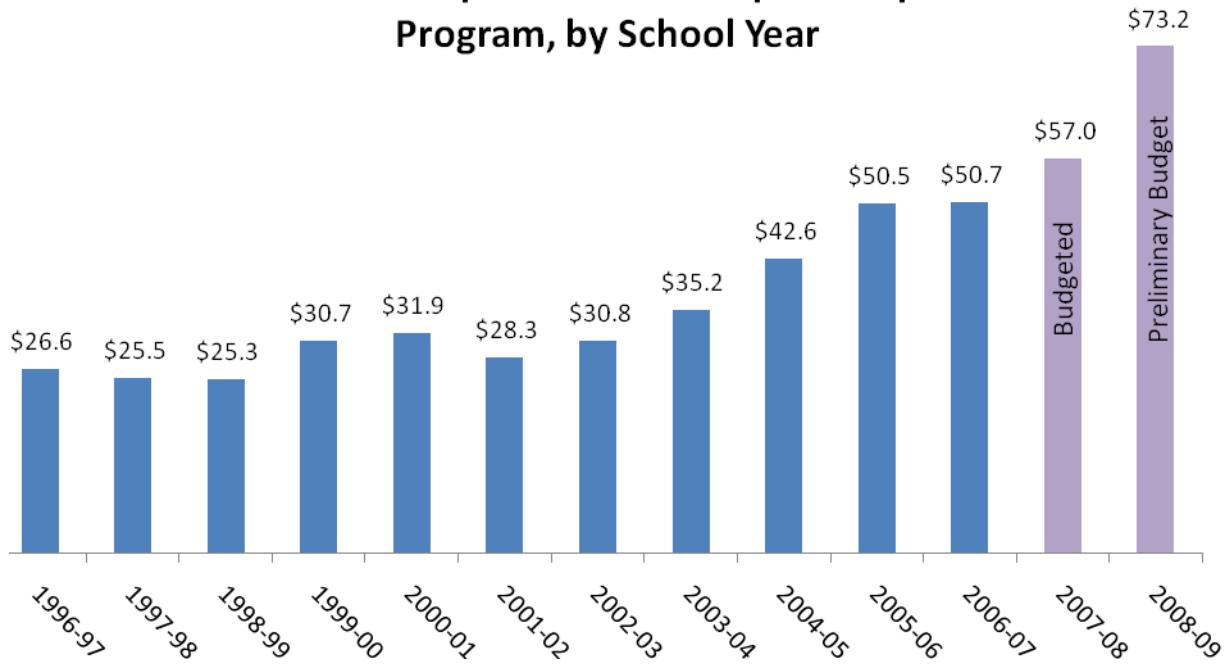
None.

Expenditure Calculations and Assumptions:

Using the 2007-08 budgeted totals for pupil transportation fuel and 2008-09 preliminary budgeted totals, OSPI calculated the amount above 2006-07 fuel expenditures total for pupil transportation. The differences between 2007-08 budgeted fuel expenditures and 2008-09 preliminary budgeted expenditures and the 2006-07 base amount is \$22.5 million. The 2007-08 fuel expenditure total will be confirmed in December. The money would be allocated to underfunded districts based on the underfunding identified in the school district accounting system for the 2007-08 school year. (The 2007 Legislature required OSPI to modify the school district accounting procedures (effective with the 2007-08 school year) to isolate to/from transportation costs from other transportation costs and conclusively quantify underfunding of basic education transportation.)

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Estimated Fuel Expenditures in Pupil Transportation Program, by School Year



Object Detail

		FY 2008	FY 2009	Total
A	Salary and Wages	\$0	\$0	\$0
B	Employee Benefits	\$0	\$0	\$0
C	Contracts	\$0	\$0	\$0
E	Goods/Services	\$0	\$0	\$0
G	Travel	\$0	\$0	\$0
J	Equipment	\$0	\$0	\$0
N	Grants	\$0	\$22,500,000	\$22,500,000
	Interagency Reimbursement	\$0	\$0	\$0
	Other	\$0	\$0	\$0
Total Objects		\$0	\$22,500,000	\$22,500,000

Expenditures & FTEs by Program

Activity Inventory Item	Prog	Staffing			Operating Expenditures		
			FY 2009	Avg	FY 2008	FY 2009	Total
A033 Student Transportation	022	0	0	0	\$0	\$22,500,000	\$22,500,000
Total Activities		0	0	0	\$0	\$22,500,000	\$22,500,000

Six-Year Expenditure Estimates

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Fund	09-11 Total	11-13 Total	13-15 Total
General Fund – Operating	\$22,500,000	\$45,000,000	\$45,000,000
Expenditure Total	\$22,500,000	\$45,000,000	\$45,000,000
FTEs	0	0	0

Distinction between one-time and ongoing costs:

Unless fuel prices decrease, all costs are ongoing.

Budget impacts in future biennia:

Fuel prices that rise above the current prices will impact the budget in the future.