

# Student Transportation Allocation

## 2017–19 Biennium Budget Decision Package

**Agency:** 350 Office of Superintendent of Public Instruction

**Decision Package Code/Title:** AF/Student Transportation Allocation

**Budget Period:** 2017–19

**Budget Level:** PL

### Agency Recommendation Summary Text:

The Student Transportation Allocation Reporting System (STARS) is used for the distribution of operations funding for school district transportation. In 2015–16, the STARS provided for an estimated 92% of statewide expenditures, funding 140 districts at 100% of their prior year expenditures. However, 155 school districts must still supplement transportation costs using local funds. OSPI is requesting four key adjustments be made to the STARS to ensure adequate funding and reduce districts' reliance on levy funds to cover the cost of basic education transportation services. The cost of implementing the proposed changes is \$47.5 Million for the 2017–19 biennium.

**Fiscal Summary:** Decision package total dollar and FTE cost/savings by year, by fund, for 4 years. Additional fiscal details are required below.

Operating Expenditures	FY 2018	FY 2019	FY 2020	FY 2021
Fund 001–01	\$23,772,458	\$23,772,458	\$23,772,458	\$23,772,458
<b>Total Cost</b>	<b>\$23,772,458</b>	<b>\$23,772,458</b>	<b>\$23,772,458</b>	<b>\$23,772,458</b>
Staffing	<b>FY 2018</b>	<b>FY 2019</b>	<b>FY 2020</b>	<b>FY 2021</b>
FTEs	0	0	0	0
<b>Revenue</b>	<b>FY 2018</b>	<b>FY 2019</b>	<b>FY 2020</b>	<b>FY 2021</b>
Fund 001–01	0	0	0	0
<b>Object of Expenditure</b>	<b>FY 2018</b>	<b>FY 2019</b>	<b>FY 2020</b>	<b>FY 2021</b>
Obj. A	0	0	0	0
Obj. B	0	0	0	0
Obj. C	0	0	0	0
Obj. E	0	0	0	0
Obj. G	0	0	0	0
Obj. J	0	0	0	0
Obj. N	\$23,772,458	\$23,772,458	\$23,772,458	\$23,772,458

### Package Description

#### Background:

The Student Transportation Allocation Reporting System (STARS) was implemented in the 2013–14 school year and is used for the distribution of operations funding for school district transportation and for providing an evaluation of relative efficiency. The STARS uses a regression analysis which uses individual school

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district characteristics to determine an expected cost of operations. STARS Efficiency ratings are calculated using a different statistical system (Data Envelopment Analysis). Both Funding reports and Efficiency Ratings are released at the end of February each year and can be found on the [OSPI website](#).

In the 2012–13 school year, prior to implementation of STARS, state funding provided 62% of statewide school district student transportation expenditures with 49 districts fully funded. The total allocation for the 2012–13 school year was \$265.2 Million.

### **Current Situation:**

For the 2015–16 school year, the Student Transportation Allocation Reporting System (STARS) provided an estimated 92% of statewide expenditures and funded 140 school districts at 100% of their prior year expenditures. The total allocation for the 2015–16 school year was \$419.7 Million. While a significant improvement, this means that more than half of school districts must still supplement transportation costs using local funds.

In the current allocation distribution formula, each school district shall receive the lesser of

- a) the district's prior year transportation operations allocation, or
- b) the district's prior year reported expenditures<sup>1</sup> plus district indirect expenses using the Federal Restricted Rate (FRR) as calculated in the district annual financial report.

The current process adds the FRR indirects to a district's prior year expenditures *prior to the step* where expenditures are compared with the initial allocation calculation. As a result, only 141 districts receive any indirects for their costs of providing transportation services.

### **Proposed Solution:**

OSPI is proposing four adjustments to be made to the Student Transportation Allocation Reporting System (STARS). After actual experience with the system, the following four adjustments have been identified as a way to increase predictability, improve equity, and ensure more districts receive adequate funding. The proposed system adjustments would result in the state funding over 95% of statewide expenditures and result in 234 districts being fully funded. See attachment for required language changes to the Revised Code of Washington (RCW) to implement this proposal.

- 1. Add a one year offset to the coefficients used to calculate district allocations, per RCW 28A.160.192 (1)(b), and include an inflator.** An offset of the coefficients would greatly increase the predictability of the funding level for the coming school year, thus provide substantial benefit to school districts during their budgeting process. This would also provide greater predictability for state and legislative staff who are required to provide the budget estimates for student transportation operations. This change is estimated at zero overall cost, as long as the inflation factor is included.
- 2. Change the order of the STARS calculation identified in RCW 28A.160.192 (2)(a) to provide all districts with funding for indirects at the Federal Restricted Rate (FRR).**

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<sup>1</sup> Prior Year Expenditures are calculated from the district's prior year F-196 Report by subtracting any other revenue (besides the transportation operations allocation) or any in lieu of depreciation for contracting districts from the district's direct expenditures. Indirects at the district's FRR are added to the district's Prior Year Expenditures which results in the district's Adjusted Prior Year Expenditures. The Lesser of Adjusted Allocation or Adjusted Prior Year Expenditures shows the district's allocation prior to any legislative enhancements for salaries and benefits.

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This change would result in the lesser of comparison between the initial allocation and prior year expenditures to be made before the FRR indirects are added. This adjustment will address a fundamental inequity with the current system, since only those districts that are fully funded are provided with indirects. By itself, this change would provide an additional \$10.1 Million to cover existing school district costs.

**3. Expand the alternate funding system provided under RCW 28A.160.191 to include districts that are not fully funded but have a cost per student below the average for a district of their size.**

One of the primary key performance indicators used to evaluate school district transportation efficiency is cost per student. A number of underfunded districts (23) provide efficient service at cost per student that is well below similar sized districts that are fully funded. With this adjustments, districts who are not fully funded and with higher costs would have increased motivation to reduce costs in order to become eligible. All of this funding would go to districts that are currently underfunded. By itself, this change would provide an additional \$8.8 Million to cover existing school district costs.

**4. Expand RCW 28A.160.191 to stablish a transportation allocation adjustment process.**

A transportation allocation adjustment process would allow the state to address districts with unique geographic or other constraints that result in inadequate funding and to cover initial year costs for new district programs, including new transportation to skill centers and early education programs. This process would help identify and fund the costs of emergency situations resulting from such factors as road closures in remote areas, start-up costs for legislatively approved programs, and district challenges due to unique geographic characteristics. Providing funding equal to half of the remaining state underfunding (prior year expenditures minus prior year allocation) would result in approximately \$4.9 Million to address unfunded transportation costs.

Combined cost of all proposed adjustments is \$23.8 Million per fiscal year.

**Contact:**

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**Base Budget: If the proposal is an expansion or alteration of a current program or service, provide information on the resources now devoted to the program or service.**

This proposal would increase the maintenance level for pupil transportation funding. Pupil transportation is Section 504 in the Omnibus Appropriations Act, but the operations allocation is combined with other program costs.

**Decision Package expenditure, FTE and revenue assumptions, calculations and details:**

Changes to the STARS system necessary to implement this proposal would be able to be done within the current system maintenance budget.

Adjustment	Cost
1. Add a one year offset to the coefficients used to calculate district allocations and include an inflator.	This change is estimated at zero overall cost, as long as the inflation factor is included.
2. Change the order of the STARS calculation to provide all districts with funding for indirects at the Federal Restricted Rate (FRR).	\$10,104,857

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Adjustment	Cost
3. Expand the alternate funding system provided to include districts that are not fully funded but have a cost per student below the average for a district of their size.	\$8,767,601
4. Establish a transportation allocation adjustment process.	\$4,900,000
<b>Total</b>	<b>\$23,772,458</b>

### Decision Package Justification and Impacts

#### What specific performance outcomes does the agency expect?

These adjustments to the allocation system would result in:

- A significant increase in the number of districts experiencing adequate funding for their transportation operations.
- A reduction of district's reliance on levy funds to cover the cost of basic education transportation services.
- The potential for an increase in efficiency as a result of districts restraining their transportation costs to ensure eligibility for the alternate funding system adjustment for districts with lower than average costs.

#### Performance Measure detail:

Success of the program will be measured by the number of districts that have their student transportation operations expenditures fully funded.

#### Fully describe and quantify expected impacts on state residents and specific populations served.

Safe and efficient transportation for the students of Washington state to and from school is a critical component of basic education.

#### Distinction between one-time and ongoing costs:

This package consists of ongoing costs in the form of an increase in the maintenance level for pupil transportation.

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

Impact(s) To:		Identify / Explanation
Regional/County impacts?	No	Identify:
Other local gov't impacts?	No	Identify:
Tribal gov't impacts?	No	Identify:
Other state agency impacts?	No	Identify:
Responds to specific task force, report, mandate or exec order?	No	Identify:

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Impact(s) To:		Identify / Explanation
Does request contain a compensation change?	No	Identify:
Does request require a change to a collective bargaining agreement?	No	Identify:
Facility/workplace needs or impacts?	No	Identify:
Capital Budget Impacts?	No	Identify:
Is change required to existing statutes, rules or contracts?	Yes	Identify: changes would be required to RCW 28A.160.191 and RCW 28A.160.192. A new section to RCW 28A.160 would be required for the transportation allocation adjustment process (adjustment four).
Is the request related to or a result of litigation?	Yes	Identify lawsuit (please consult with Attorney General's Office): McCleary
Is the request related to Puget Sound recovery?	No	If yes, see budget instructions Section 14.4 for additional instructions
Identify other important connections		

**Please provide a detailed discussion of connections/impacts identified above.**

The McCleary decision indicates that fully funding a formula does not meet the requirements for fully funding basic education. Fewer than half of school districts have their basic education transportation costs funded. With these changes, the majority of districts will have funding provided for their transportation expenditures.

**What alternatives were explored by the agency and why was this option chosen?**

No other options were identified that resolve the shortcomings of the formula.

**What are the consequences of not funding this request?**

School districts will continue to have to use local levy funds to supplement state funding for pupil transportation services.

**How has or can the agency address the issue or need in its current appropriation level?**

NA

**Other supporting materials:**

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- Attachment: Changes to the Revised Code of Washington (RCW) necessary to implement this proposal.

**Activity Inventory:**

Activity Inventory Item	Prog	Staffing			Operating Expenditures		
		FY 2018	FY 2019	Avg	FY 2018	FY 2019	Total
A033	022				\$23,772,458	\$23,772,458	\$47,544,916
<b>Total Activities</b>					\$23,772,458	\$23,772,458	\$47,544,916

**Information technology:** Does this Decision Package include funding for any IT-related costs, including hardware, software, services (including cloud-based services), contracts or IT staff?

- No 
- Yes Continue to IT Addendum below and follow the directions on the bottom of the addendum to meet requirements for OCIO review.)