

March 4, 2014

Review of School Transportation in California

LEGISLATIVE ANALYST'S OFFICE

Presented to:
Assembly Budget Subcommittee No. 2 on Education Finance
Hon. Al Muratsuchi, Chair





School Bus Transportation in California

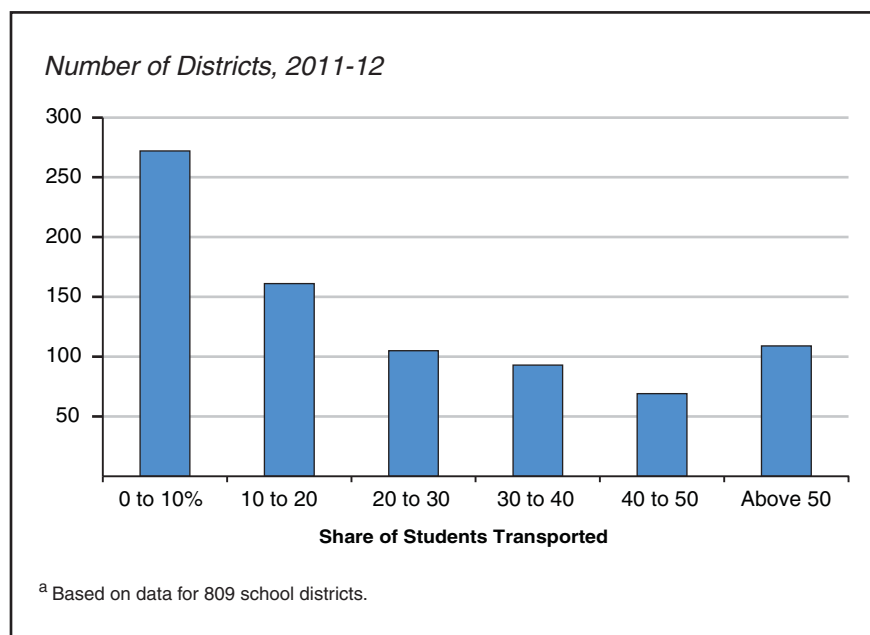


Approximately One in Eight California Students Rides the School Bus

- Federal law requires school districts to transport (1) certain students with disabilities, (2) students that choose to attend certain higher performing schools, and (3) homeless students.
- State law does not require any particular level of ridership.



Share of Students Transported Varies Notably Across Districts



Districts With a Higher Share of Students Transported Tend to Be:

- Located in rural areas.
- Serving a higher share of low-income students.
- Receiving a higher share of state transportation funding.



Home-to-School Transportation (HTST) Program



State Provides \$491 Million Through HTST Program

- Covers 35 percent of statewide transportation costs (\$1.4 billion).
- Remaining costs covered largely with local unrestricted funds.



Widely Recognized Problems With Current Allocation Formula

- Funding for each district is based on allocations frozen during the early 1980s.
- Due to shifting demographics and changes in local service levels, this allocation now covers most costs in a few districts and no costs in other districts.



2013-14 Budget Package Retained HTST as Separate Program

- HTST allocations permanently frozen at 2012-13 levels.
- Funds provided as an “add-on” to the Local Control Funding Formula (LCFF).
- Districts required to continue using funds for school transportation.



Reform Option 1: Fund Transportation Within LCFF



Approach

- Fund transportation costs within LCFF.
- No separate funding stream specifically for transportation.



Rationale

- Treats transportation costs consistently with most other district costs.
- Treats HTST program consistently with most former categorical programs.
- LCFF contains incentives to maximize student attendance.
- LCFF provides additional funding for low-income students.



Costs and Transition

- State could phase in option over several years, gradually increasing the amount of former HTST funding that counts toward LCFF targets. No district would receive less total funding than it received in 2012-13.
- Upon full implementation, freed-up funding (\$491 million) would be available for any educational purpose.



Reform Option 2: Fund Extraordinary Transportation Costs



Approach

- Provide additional funding for districts with extraordinarily high transportation costs. For example, the state could cover 75 percent of transportation costs that exceed 8 percent of a district's budget.



Rationale

- About half of districts spend 2 percent to 4 percent of their budgets on transportation. Some districts, however, spend a notably higher share—with about 10 percent of districts spending more than 8 percent of their budgets on transportation.
- Ensures those districts with extraordinary transportation costs do not have inferior academic programs as a result.



Costs and Transition

- Annual costs in the low tens of millions of dollars (exact cost depends on threshold selected, reimbursement rate, and types of costs allowed for reimbursement).
- For districts without extraordinary costs, approach is the same as option 1, with funding gradually folded into LCFF while ensuring no district receives less total funding than it received in 2012-13.
- Upon full implementation, remaining funding from current HTST allocation available for any educational purpose.



Reform Option 3: Fund Share of Transportation Costs



Approach

- Reimburse a share (35 percent to 50 percent) of allowable transportation costs in all districts.



Rationale

- Supports broad-based program that covers the same share of costs for all districts.
- Reimbursing at 35 percent of total costs equates to average share of cost covered under existing HTST program.
- Reimbursing between 35 percent and 50 percent would ensure districts still have a strong incentive to operate efficient transportation programs (that is, they still would cover a majority of total costs).



Costs and Transition

- State could implement gradually, increasing funding for districts currently receiving less than the state's new reimbursement share.
- Exact cost depends on the state share and whether the state includes "hold harmless" language guaranteeing every district continues to receive at least as much funding as it received in 2012-13.
- Assuming hold harmless language, additional costs would range from \$120 million (if the state were to cover 35 percent of all costs) to \$260 million (if the state were to cover 50 percent of all district costs). This additional spending would reduce funding available for other educational purposes.
- As expenditures rise and some districts expand local service levels, costs likely to grow over time.