

**LEGISLATIVE EDUCATION STUDY COMMITTEE
BILL ANALYSIS**

Bill Number: SB 198

52nd Legislature, 2nd Session, 2016

Tracking Number: 202283.5

Short Title: School Transportation Distribution

Sponsor(s): Senator Clemente Sanchez and Representative Dennis J. Roch

Analyst: David Craig

Date: January 31, 2016

**FOR THE LEGISLATIVE EDUCATION STUDY COMMITTEE
AND THE LEGISLATIVE FINANCE COMMITTEE**

Bill Summary:

SB 198 amends the *Public School Finance Act* to create two separate transportation formula funding calculations and distributions for school districts and state-chartered charter schools.

Fiscal Impact:

SB 198 does not make an appropriation. The FY17 Legislative Finance Committee budget recommendation for Public School Support includes a \$1.1 million categorical transportation appropriation for state-chartered charter schools and \$99.8 million for school districts.

At a Glance:

- State-chartered charter schools generally receive significantly more transportation funding than they can spend resulting in large cash balances and reversions to the Transportation Emergency Fund.
- SB 198 will allow the Legislature to right-size appropriations for state-chartered charter school and school district transportation.
- School district transportation allocations will be protected as new state-chartered charter schools seek transportation funding.
- State-chartered charter school transportation programs will be required to adhere to similar requirements as school districts.

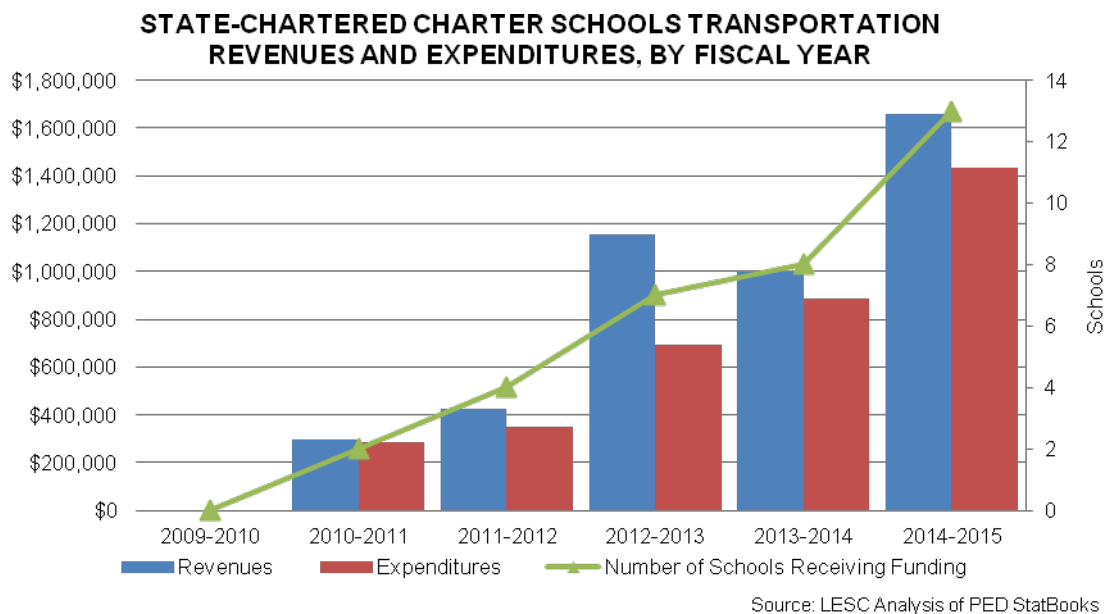
Detailed Bill Provisions:

Among its other provisions, the bill requires state-chartered charter schools to: deposit remaining transportation balances in the Transportation Emergency Fund, adhere to reporting requirements necessary to calculate a transportation funding formula allocation, limit transportation to the boundaries of the school district in which the state-chartered charter school is geographically located, and establish bus routes and walk zones.

Substantive Issues:

New state-chartered charter schools are being authorized to receive transportation funding though funding has not been appropriated for new transportation programs. In addition, more state-chartered charter schools access transportation funding each year, from two in FY11 to 20 in FY16. The FY16 initial transportation allocation provided approximately \$2.3 million to fund 20 state-chartered charter school transportation programs. This represents an increase of seven charter schools and \$607,000 over the FY15 transportation allocation to 13 state-chartered charter schools receiving \$1.6 million. However, during this time, transportation funding decreased by \$4.0 million, resulting in less funding for school districts. In FY15 school districts spent \$4.6 million of operational funds on transportation. Without a corresponding increase in the appropriation, transportation funding for new state-chartered charter school transportation programs may result in a smaller transportation allocation distributed to existing school districts and state-chartered charter schools.

In recent years, transportation funding for existing state-chartered charter school transportation programs exceeded program expenditures. In FY15, the transportation funding formula provided 16 percent more transportation funding to state-chartered charter schools than the charter schools were able to spend on to-and-from transportation expenditures.



According to the Public Education Department (PED), eight charter schools are estimated to revert \$263,000 from their FY15 categorical transportation allocations. As state-chartered charter schools retain half of the amount of the categorical transportation allocation for other transportation uses, the unspent state-chartered charter school allocations totaled \$526,000 in FY15, or 33 percent of the total \$1.6 million allocated to state-chartered charter schools in FY15. By contrast, unspent school district allocations totaled \$1.1 million or 1.1 percent of the total \$93.6 million allocated to school districts. This bill will allow the Legislature to appropriate funds that more closely reflect the costs of state-chartered charter school transportation programs. PED notes if the bill is enacted, it will be required to run two different funding formula regressions and may result in different coefficients. PED indicates state-chartered charter schools and school districts may generate different amounts per student, per mile, and per school bus.

Background:

Previous LESC Discussion

Interim subcommittees on public school transportation during the 2012 and 2013 interims heard testimony from PED that state-chartered charter schools were receiving more school transportation funding formula allocations than they needed to provide to-and-from transportation services for students. LESC staff analysis of this issue was also presented to a 2014 interim LESC Charter Schools Subcommittee. The issue was also discussed by the LESC at its July 2015 interim meeting in Rio Rancho and the LESC-Legislative Finance Committee (LFC) Ad Hoc Work Group. In each instance, LESC staff presented information that also showed existing state-chartered charter school transportation programs continue to receive transportation funding in excess of amounts required to operate programs, and indicated there are no provisions in law that relate to transportation boundaries or limit distances traveled to transport students for state-chartered charter schools. With these points in mind, LESC staff suggested that committee members consider whether:

- the current mechanism for allocating transportation funding to state-chartered charter schools is adequate;
- geographic boundaries or distances should be established for charter school transportation services; or
- state-chartered charter schools should be eligible for transportation allocations.

This legislation was informed by discussions of members of the LESC subcommittees and discussion by committee members at the July 2015 interim meeting.

LESC-LFC Ad Hoc Work Group

During the 2015 interim, members from both the LESC and LFC convened an Ad Hoc Work Group to study education-related issues of common interest to the two committees. Two transportation-related issues were discussed, including state-chartered charter schools receiving more funds than necessary to operate their transportation programs and new programs impacting existing transportation funding. This legislation was also informed by discussions of members of the work group.

Transportation Funding Under Current Law

Provisions of the *Public School Finance Act* determine the funding elements of the state's transportation program. The following is a summary of the current provisions of the *Public School Finance Act* that relate to the calculation and allocation of transportation funding.

- **The transportation distribution** as it relates to a school district's or state-chartered charter school's transportation allocation, includes provisions that require:
 - allocations to be used only for to-and-from school transportation costs of public school students in grades K-12 and for three- and four-year-old developmentally disabled students;
 - 50 percent of any excess funds to revert to the transportation emergency fund;

- 25 percent of the remaining excess to only be used for to-and-from transportation, excluding salaries and benefits;
 - the remaining 25 percent of excess to be used for any other transportation services, excluding salary and benefits;
 - each school district or state-chartered charter school to have their allocations reduced in the proportion to the total state distribution; if the amount of an allocation exceeds distributions; and
 - a local board or governing body of a state-chartered charter school to seek approval to provide additional transportation services.
- **The current calculation of the transportation allocation** includes:
 - a base amount to which is added a variable predicted amount calculated from a regression analysis of site characteristics and predictor variables multiplied by number of days; and
 - then multiplied by an adjustment factor which is calculated by subtracting the amount of the sum of the base and variable amounts from the total transportation appropriation and dividing by the sum of the base and variable and then adding one.
 - **Distributions from the transportation emergency fund** are allowed by statute in instances of transportation emergencies.

Related Bills:

SB 46 *School Transportation Boundary Agreements*