ISSUE REVIEW

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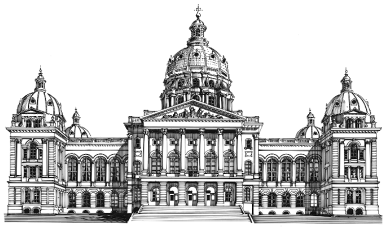


State Capitol
Des Moines, IA 50319
October 27, 2006

Transportation Costs Impact on School Budgets

ISSUE

This ***Issue Review*** examines the variation in student transportation costs by school district and the impact on funding available for other educational uses.

AFFECTED AGENCIES

School Districts

CODE AUTHORITY

Section 321.34(22), and Chapters 257 and 285, Code of Iowa

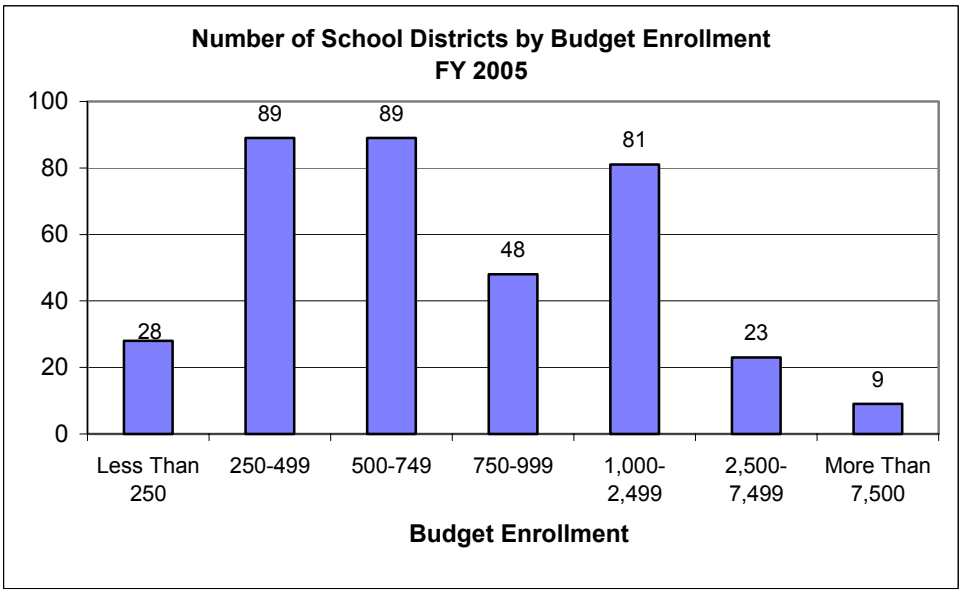
BACKGROUND

School districts are required to provide transportation to elementary students living more than two miles from their school and to high school students living more than three miles from their school. For children living within these limits, the school district may provide transportation and charge a fee no greater than the pro rata cost, referred to as discretionary transportation payments. When schools cannot provide the required transportation, parents receive a reimbursement for providing transportation.

School Foundation funding is provided to school districts on a per-student basis. Additional funding for special education students, English Language Learners (ELL), At-Risk students, along with incentives for sharing and reorganization is provided by an additional weighting for the affected students. In basic terms, a school district budget is equal to the weighted enrollment times the district cost per pupil. Other additional funding is provided to school districts with declining enrollments through the Budget Guarantee. No weighting or additional funds are provided for transportation costs.

In FY 2005, Iowa had 367 school districts. The first chart shows the distribution of school districts by enrollment. Approximately half the Iowa school districts have between 250 and 749 students, averaging between 19 and 58 students per K-12 grade level.

Chart 1



CURRENT SITUATION

The data for this analysis comes primarily from FY 2005, the most recent year for which the Department of Education has a transportation annual report. It will examine transportation costs compared to the "regular program cost," which does not include funding for special education, At-Risk students, ELL, or shared weightings, but should be the main transportation funding source. The discretionary transportation payments are deducted from the net operating transportation costs so that the analysis focuses only on the use of School Foundation funding from State aid and property taxes. School districts with per-pupil transportation costs that exceed 150.0% of the State average transportation cost per pupil may apply to the School Budget Review Committee (SBRC) for transportation assistance aid. Funding for transportation assistance aid comes from the sale of vehicle license plates with the education emblem. School districts applied for and received $21,000 in transportation assistance aid in FY 2005 and $20,000 in FY 2004. These amounts are immaterial and will not be considered in this analysis.

BUDGET IMPACT

Table 1 shows the transportation costs, mileage, and enrollments (net of shared-time students) for the past ten years. Over this period, the total reported mileage decreased 8.7%, and the average number of students transported decreased 5.4%. The net operating costs increased 34.5%.

Table 1

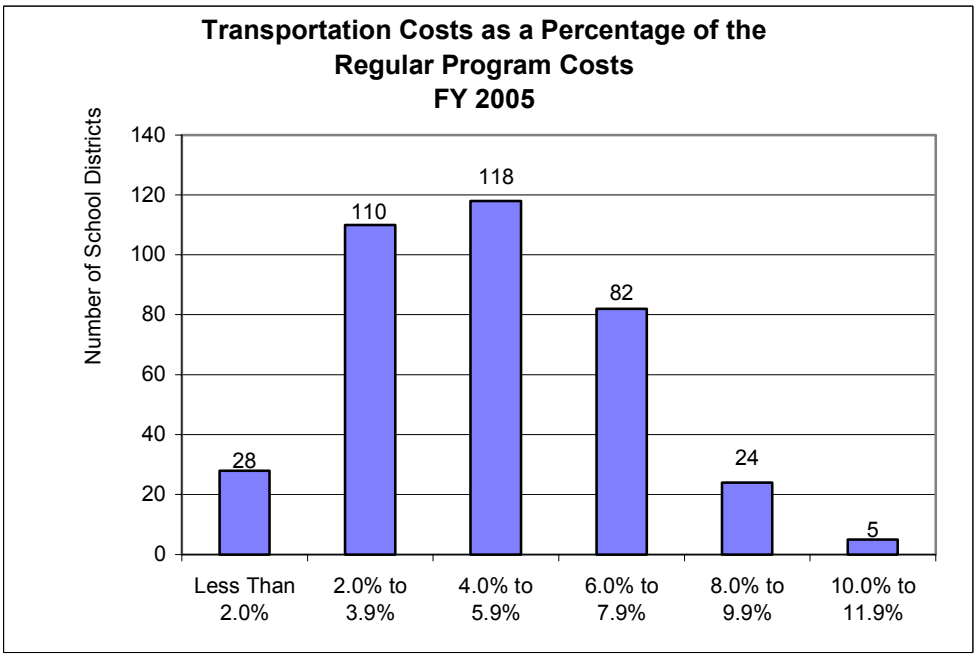
Mileage, Net Transportation Operating Costs, and Student Counts for Last Ten Years

Fiscal Year	Route Miles	NonRoute Miles	Net Operating Costs	Ave. No. Students Transported	Enrollment (less shared-time students)	Percent of Enrollment Transported
1996	46,725,246	15,936,603	$ 73,660,777	245,897	504,520	48.74%
1997	47,205,443	16,460,431	77,057,791	247,241	505,531	48.91%
1998	46,561,474	13,417,684	78,050,225	249,299	505,130	49.35%
1999	46,319,445	17,146,339	79,482,035	255,207	502,534	50.78%
2000	45,873,979	17,802,619	84,619,208	247,996	497,730	49.83%
2001	46,560,012	16,619,403	87,452,537	243,172	497,570	48.87%
2002	44,335,156	13,135,348	86,866,868	236,967	488,273	48.53%
2003	43,309,063	13,371,412	89,389,876	234,631	486,283	48.25%
2004	43,267,951	13,336,787	93,232,580	235,723	484,302	48.67%
2005	43,456,479	13,760,465	99,104,931	232,701	482,856	48.19%

Note: The data comes from the Department of Education's annual transportation reports. The enrollment counts do not include shared-time students, which are counted in the standard budget enrollment used in the School Foundation Formula.

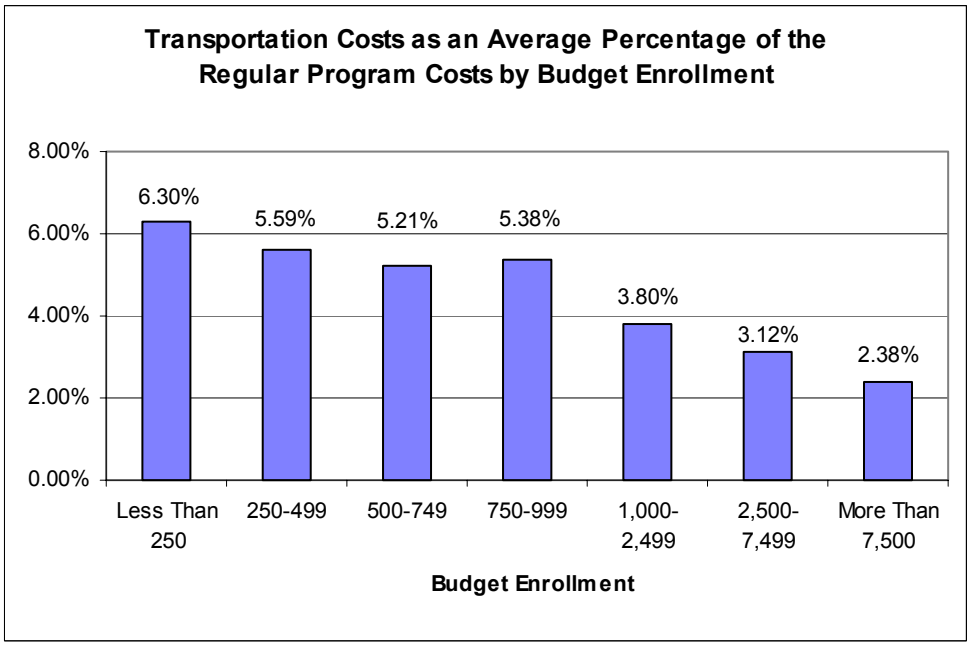
Transportation costs do not affect all school districts equally. **Chart 2** shows the number of school districts by the percentage of their regular program budget that was spent on student transportation. Sixty-two percent of the school districts spend between 2.0% and 5.9% of the regular program budget on student transportation. Eight percent of the school districts spent more than 8.0% of their total Foundation budgets on transportation. Statewide an average of 4.9% of the regular program budget is spent on student transportation. The United School District spent the highest percentage (11.7%), followed by Eddyville-Blakesburg, Westwood, and Pekin, all spending more than 11.0% of their regular program budget on transportation. West Burlington Independent, Marion Independent, and Clarksville spend the smallest percentage of their budgets on student transportation – less than 1.0%.

Chart 2



The school district budget enrollment is negatively correlated with the percentage spent on student transportation. **Charts 3** shows the category average percentage spent on student transportation by school district size for regular program costs.

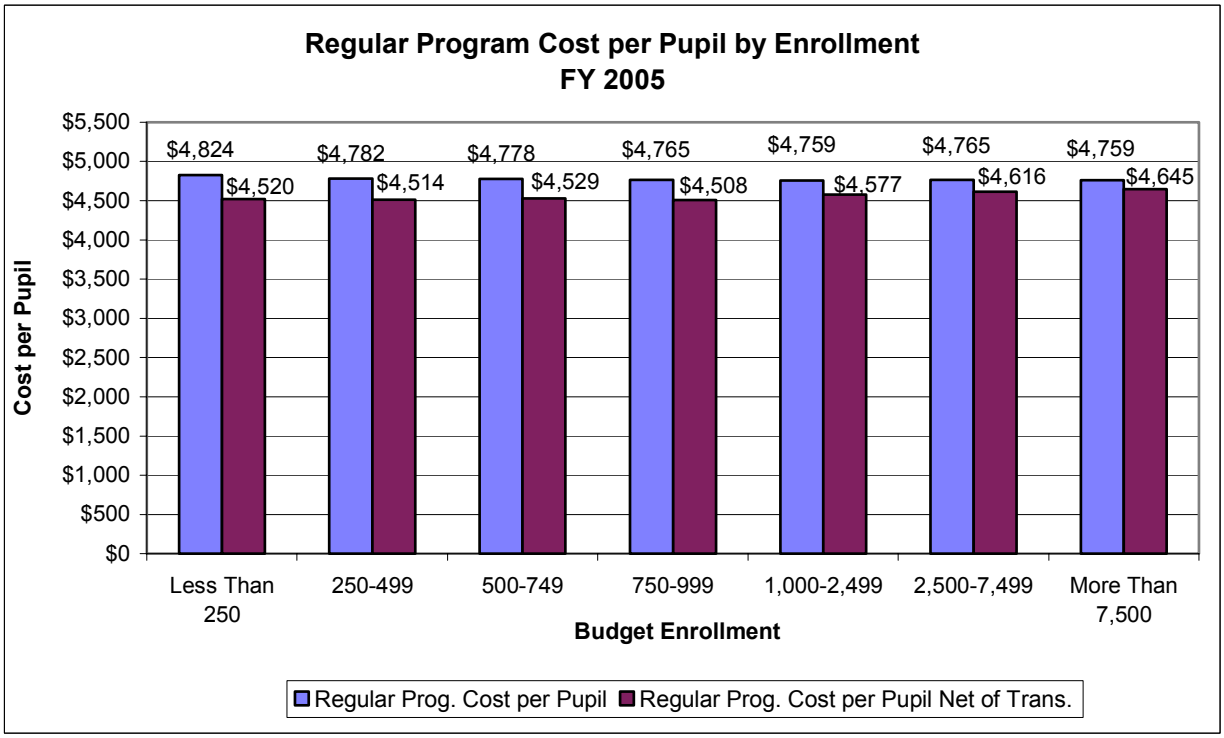
Chart 3



The smallest schools, on average, spend 3.9% more of their regular program budgets on student transportation than do the nine school districts with 7,500 or more students.

Chart 4 shows the regular program per-pupil spending as normally calculated including student transportation costs and the regular program per-pupil spending net of student transportation costs. That is, it shows the impact of transportation costs on funds available for other educational needs.

Chart 4



The smallest schools have the highest per-pupil costs, but they also have the highest per-pupil impact by transportation costs. School districts with less than 250 students show an average reduction of $304 per-student funding in regular program funding available for other educational needs, while the largest schools show a reduction of $114 per student. If the $66 difference in regular program per-pupil costs is taken into account, transportation costs for the smallest school districts have more than twice the impact on the per-pupil expenditures. Comparing the per-pupil regular program spending after student transportation costs are removed shows that the smallest districts regular program spending per-pupil is 97.3% of that of the largest districts. School districts between 750 and 999 students have the lowest per-pupil net of transportation expenditures – 97.1% of the largest school districts net expenditures per-pupil.

In summary, transportation costs have the greatest impact on the smallest school districts' educational funding. Details by school district are available upon request from the Legislative Services Agency (LSA).

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