

## ELEMENTARY AND SECONDARY EDUCATION TRANSPORTATION STUDY - BACKGROUND MEMORANDUM

Section 20 of Senate Bill No. 2013 (2019) ([Appendix A](#)) provides for a study of school transportation, including district routes, expenditures, reimbursement, and possible efficiencies. This study was assigned to the Education Funding Formula Review Committee.

### HISTORY OF TRANSPORTATION FUNDING

In 1957, the Legislative Assembly amended and reenacted Section 15-3404 of the 1953 Supplement to the North Dakota Revised Code of 1943, relating to transportation payments. The legislation provided:

The school board or board of education of any school district in the state, whether or not such district contains a consolidated school, may pay, in its discretion, to each family living more than two miles from a school in the district which is taught the required length of time, a sum per day of each day's attendance of a child or children of such family, including children in the high school department, when transported by a member of the family or by a conveyance furnished or paid for by the family or when the family has paid for lodging for the child, in proportion to the distance between the home of the family and the school . . .

The provision included a schedule for reimbursement that ranged from 25 cents per day for those two miles from school to 80 cents per day for those six miles from school and provided an additional 10 cents per day for each one-half mile over six miles.

In 1959, the Legislative Assembly provided for transportation aid from the county equalization fund. The county equalization fund consisted of the taxes collected by virtue of a 21-mill levy, payments from the state equalization fund, and the balance remaining from collections of the per capita school tax after certain deductions. Transportation aid was paid from the county equalization fund to each school district providing schoolbus transportation at a rate of .5 cent per pupil-mile for pupils transported in contract schoolbuses or in district-owned and operated buses. Payments for transportation began with the 1959-60 school year. Beginning in 1971 state payments were made to the county equalization fund and payments were made from the fund to the respective school districts. A history of transportation reimbursement rates and funding sources is attached as [Appendix B](#).

### Education Finance Committee - 1985-86 Interim

The 1985-86 interim Education Finance Committee learned state transportation aid was paid to school districts according to the number of miles traveled and the size of schoolbuses being operated. Transportation payments for the 1985-87 biennium were 38 cents per mile for schoolbuses with a capacity to carry 9 or fewer students and 76 cents per mile for schoolbuses having the capacity to carry 10 or more students. In addition, school districts received 19 cents per student per day for each student transported in a bus with a capacity to carry 10 or more students. Finally, school districts that arranged for transportation within the incorporated limits of a city within which a school is located received 9.5 cents per student per one-way trip for a maximum reimbursement of 19 cents per student per day.

The committee learned state transportation aid steadily increased as a percentage of all transportation costs incurred by school districts. For the 1974-75 school year, total transportation costs were \$10,594,437 and state transportation aid was \$5,592,617 or 52.8 percent. During the 1981-82 school year, total transportation costs were \$23,112,963 and state transportation aid was \$17,523,956 or 75.8 percent. State transportation aid payments for the 1985-86 school year were \$20,189,000 or 88.6 percent of all school district transportation expenditures. There was a disparity in the percentage of transportation costs reimbursed to school districts. In general, rural school districts with fewer students and long routes received the highest ratio of state aid to actual costs. Many such districts received state aid in excess of 100 percent of their actual costs. The largest school districts with large student populations and relatively short bus routes received the lowest ratio of state aid to actual transportation costs. These districts typically received state aid in amounts varying between 40 and 75 percent of their transportation costs.

The committee reviewed House Bill No. 1049 (1985) which, as recommended, would have replaced the transportation payment formula with a block grant program to reimburse school districts for 85 percent of their transportation costs. Opponents of the block grant approach for reimbursing transportation costs were successful in amending the bill to continue the transportation reimbursement formula. The estimated cost of the bill was \$37.2 million for the 1985-87 biennium, approximately \$2 million less than the amount under the formula. A representative of the Superintendent of Public Instruction advised the committee that the percentage of state reimbursement for transportation costs exceeds 100 percent for many of the smaller school districts in the state. This occurs because those districts' costs are generally relatively low except in those years when they replace

schoolbuses. Due to a statutory increase in mileage payments, the average state reimbursement for school districts for transportation costs was 88.6 percent for the 1985-86 school year compared to 78.6 percent during the 1983-84 school year. Those school districts that run few buses and keep them for long periods of time are the districts that could lose the most in state funds under an 85 percent of cost reimbursement formula for transportation. The committee was advised that if all school districts were reimbursed for 100 percent of their transportation costs based on a 5-year cost average, it would require an additional \$4 million per biennium.

The committee reviewed the results of a survey, conducted by a school administrator, of 25 school districts located geographically across the state. The survey was conducted in an attempt to compile data relating to actual transportation costs for the period January 1986 through May 1986. Seventeen of the 25 school districts responded to the survey. Information was requested regarding operation costs, drivers' salaries, depreciation, and administration. The study indicated there is a relationship between cost per mile and density, i.e., the more sparse the population the lower the cost per mile and the more dense the population the higher the cost per mile. Several variables affect the cost of transportation from district to district, including types of roads, replacement schedules for buses, salaries of bus drivers, and maintenance and repairs of buses. The range in cost per mile was great, with the low being 62 cents per mile and the high being \$1.64 per mile. The average cost per mile was \$1.19, and the majority of schools fell within the range of 85 cents to \$1.15 per mile. A representative of the Superintendent of Public Instruction indicated that the state average transportation cost per mile for the 1984-85 school year was 93.2 cents. The state reimbursed districts for the 1985-86 school year at the rate of 72 cents per mile. State reimbursements for transportation were approximately \$40 million to \$41 million per biennium and total expenditures per biennium were approximately \$44 million to \$45 million. The administrator reported that, although not conclusive, the formulas being used for transportation reimbursements to school districts are probably fairly reasonable, even though there may be disparities at both ends of the scale.

A different issue that surfaced during the 1985 legislative session concerned certain school districts that charge for the transportation of rural school children. State law did not require school districts, other than those that have been reorganized, to provide transportation to schools. Therefore, in school districts that had not been reorganized, certain costs of school transportation were charged to the parents of children who are bused to school. This practice was challenged by a Bismarck School District patron in *Bismarck Public Schools v. David Walker*, 370 N.W.2d 565 (N.D. 1986). The North Dakota Supreme Court in that case refused to determine whether there is a state constitutional right to free transportation to schools because it found the Bismarck School District patrons had signed a contract agreeing to pay transportation costs and thereby waived any rights to receive that transportation free of charge. This practice was challenged by a Dickinson School District patron in *Kadrmas v. Dickinson Public Schools*, 402 N.W.2d 897 (N.D. 1987). The assertion was that North Dakota Century Code Section 15-34.2-06.1, which allowed nonreorganized school districts to charge for transportation, violated the North Dakota constitutional provision providing for a uniform system of free public schools. The North Dakota Supreme Court held that the constitutional provision mandating a uniform system of free public schools does not require the state or school districts to provide free transportation for students to and from school. On appeal, the United States Supreme Court affirmed the constitutionality of the statute.

### **National Conference of State Legislatures' Education Grant**

The Legislative Council received an education study grant from the National Conference of State Legislatures in the amount of \$6,000. The Legislative Council retained a consultant from the Education Commission of the States to provide assistance in conducting this study. The study focused on North Dakota's reimbursement for elementary and secondary school transportation and special education programs.

Forty-eight states were surveyed to collect information on state approaches to financing transportation costs. Special emphasis was placed on states that operate under circumstances similar to North Dakota. Data available about the costs of providing transportation and the various types of school districts in the state was reviewed to see if this data would provide insights into how the current formula could be made more sensitive to the experiences of North Dakota school districts. Using the information from the previous two tasks, alternative approaches to financing transportation in North Dakota were simulated. Special emphasis was placed on seeing how changes to the parameters of the system might improve the distribution of transportation aid across the state.

The survey revealed a variety of state transportation aid distribution programs. The distribution formulas were categorized into five general groups--a density formula, a percentage of allowable costs formula, a mileage payment formula, a per-pupil payment formula, and a combination of methods such as a mileage and percentage of cost procedure. All of the states that used density formulas for the distribution of state transportation aid generally used the average daily number of students transported divided by either the number of square miles in the school district or the number of daily route miles to arrive at a student density factor.

The formulas used by Idaho and Colorado for transportation reimbursements were simulated using North Dakota data. Idaho reimbursed school districts for schoolbus transportation at 85 percent of the allowable costs of the district for the next preceding year. Under this formula, the 1985-86 payment for regular schoolbus routes would have been \$19,152,444 compared with the actual payment of \$18,278,637 (excluding reimbursements for vocational education, special education, and family transportation).

Colorado reimbursed districts for schoolbus transportation on the basis of 25 percent of the difference between the current operating expenses and the amount determined by multiplying 40 cents times each mile traveled. The Colorado formula was simulated using North Dakota data with the following modifications. Reimbursements were made on the basis of 50 percent of the difference between the total costs of transportation and the amount determined by multiplying 50 cents times each mile traveled. The average percent of reimbursement was approximately 75 percent of costs compared with an average reimbursement rate of 81 percent of costs under North Dakota's system (excluding reimbursements for vocational education, special education, and family transportation). The number of school districts receiving payments in excess of 100 percent of cost, under this simulation, would have been reduced from 84 to 5. In addition, most of the districts would have been reimbursed between 70 and 90 percent of operating costs including an allowance for depreciation.

The committee made no recommendation related to transportation aid to school districts.

### **Education Finance Committee - 1987-88 Interim**

The 1987-88 interim Education Finance Committee, established by Senate Bill No. 2002 (1987), was directed to study education finance issues, including the inequities in the distribution of transportation aid to schools. The committee learned transportation payments for the 1987-89 biennium are 35.5 cents per mile for schoolbuses with the capacity to carry 9 or fewer students and 72 cents per mile for schoolbuses with a capacity to carry 10 or more students. Transportation payments for the 1985-87 biennium were 38 cents per mile for schoolbuses with a capacity to carry 9 or fewer students and 76 cents per mile for schoolbuses having the capacity to carry 10 or more students. In addition, school districts receive 19 cents per day for each student living outside city limits who is transported in a bus with a capacity to carry 10 or more students. School districts that arrange for transportation within the incorporated limits of a city within which a school is located receive 9.5 cents per student per one-way trip. Total transportation costs for the 1987-88 school year were \$22,776,286 and state transportation aid was \$19,035,452 or 83.6 percent of the total cost, compared to 75.8 percent during the 1981-82 school year and 52.8 percent during the 1974-75 school year.

The transportation formula continued to be criticized because there was a wide disparity in the percentage of transportation costs reimbursed to school districts. In some school districts it costs \$300 per year to transport a student while in others the cost is as high as \$1,000 per student. Transportation costs ranged from 69 cents to \$1.71 per mile during the 1986-87 school year and the state average cost per mile was 91.4 cents. The range in cost per mile is due to various factors. For example, some school districts hold costs down by hiring their own mechanics, buying used buses and used or rebuilt parts to repair buses, paying immediate attention to maintenance, paying drivers to use their own cars, and planning and limiting routes. Other variables that affect the cost of transportation from district to district include types of roads, replacement schedules for buses, and salaries of busdrivers. In addition, some school districts that receive over 100 percent of their transportation costs do not include administrative costs or depreciation as part of their transportation costs.

The committee reviewed the various proposals provided to the 1985-86 interim Education Finance Committee. The proposals were based on the formulas used in Idaho and Colorado to reimburse school districts for transportation. Idaho reimburses school districts for schoolbus transportation at 85 percent of allowable costs. Under this formula, the state payment for transportation would be approximately \$1 million more per year than payments made during the 1987-89 biennium (excluding reimbursements for vocational education, special education, and family transportation). Colorado reimburses districts for schoolbus transportation on the basis of 40 cents per mile and 25 percent of the difference between the current operating expenses and the mileage payment. Maximum reimbursement is 90 percent of allowable costs. The committee reviewed two bill drafts based on the Colorado formula. Both bill drafts would have reduced the disparities between the percent of reimbursements school districts receive under the existing formula. One of the bill drafts would have changed the reimbursement to school districts to 50 cents per mile and 50 percent of the difference between the mileage payment and the school district's actual expenditures for transportation the preceding year (the 50/50 plan). The bill draft provided for a cap so that no school district would have received more than 100 percent of its actual expenditures for transportation. The other bill draft would have provided for a reimbursement of 60 cents per mile and 40 percent of the difference between the mileage payment and the school district's actual expenditures for transportation for the preceding year (the 60/40 plan). Under this bill draft, no school district would have received more than 90 percent of its actual expenditures for transportation. Both bill drafts would have provided for transportation payments to teachers for

travel between schools to teach and for transporting students to other schools for academic programs. Under the 50/50 plan, without the 100 percent cap, no school district would have received less than 50 percent of its transportation costs, three school districts would have received between 101 and 120 percent of their transportation costs and only one school district would have received more than 120 percent of its transportation costs. The committee did not recommend either of these bill drafts.

The committee reviewed amendments to Senate Bill No. 2002 (1987) that would have eliminated transportation aid payments. Had the amendments been adopted, the money paid to schools for transportation would have been included in the per-pupil foundation aid payment. Under the proposal, local districts would have had the discretion to determine how the additional funds would have been used. Generally, school districts that receive a high percentage of transportation reimbursement would have received less money from the state under this proposal than under the existing programs. Those districts would have been required to raise money locally to cover lost revenues from the state. Districts that are not required to provide transportation or that receive a low percent of transportation reimbursement would have received an increase in total state dollars.

The transportation formula was criticized because it did not address density. Generally, the more dense the population of a district the higher the cost per mile and the less adequate the state payment. The 1987-88 interim committee reviewed a bill draft that would have retained the current mileage payments, but in addition, would have provided for a weighted per-pupil payment to address the issue of density. The amount of transportation aid a school district received would have increased as the average number of students transported per bus route mile increased. Under this bill draft, the state would have been required to provide an additional \$443,000 per year for transportation. Under the proposal, school districts that receive a low percentage of reimbursement under the formula would have been entitled to additional state funding. The bill draft; however, did not address the problem of school districts that receive over 100 percent of their transportation expenditures. Under the proposal, 121 school districts would have received more than 100 percent of their costs. The committee did not recommend this bill draft.

The 1987-88 interim Education Finance Committee also reviewed a bill draft that would have retained the existing formula but would have provided that no school district would receive less than 65 percent of its transportation expenditures. Under this proposal, 32 school districts would have received additional state funding at a cost to the state of approximately \$757,000 per year. The committee did not recommend this bill draft.

The committee recommended House Bill No. 1044 (1989) to decrease the mileage payment for small buses from 35.5 to 34.5 cents, decrease the mileage payment for large buses from 72 to 70 cents, increase the per-pupil payment from 19 to 26 cents, and increase the in-city transportation payment from 9.5 to 13 cents per student per one-way trip.

### **Education Finance Committee - 1989-90 Interim**

The 1989-90 interim Education Finance Committee was assigned, pursuant to House Bill No. 1002 (1989), a study of education finance issues, including inequities in the distribution of transportation aid to schools. The committee learned transportation payments for the 1989-91 biennium are 25 cents per mile for vehicles having the capacity to carry 9 or fewer students and 68 cents per mile for vehicles having the capacity to carry 10 or more students. In addition, school districts receive 25 cents per day for each student living outside city limits who is transported on a bus with a capacity to carry 10 or more students. School districts that arrange for transportation within the incorporated limits of a city within which a school is located receive 12.5 cents per student per one-way trip. Transportation payments for the 1987-89 biennium were 35.5 cents per mile for schoolbuses with the capacity to carry 9 or fewer students and 72 cents per mile for schoolbuses with a capacity of 10 or more students. Transportation payments for the 1985-87 biennium were 38 cents per mile for schoolbuses with a capacity to carry 9 or fewer students and 76 cents per mile for schoolbuses having the capacity to carry 10 or more students. For both the 1987-89 and 1985-87 bienniums the per-pupil payment was 19 cents per day and the in-city transportation payment was 9.5 cents per student per one-way trip.

The committee learned the transportation formula has been funded at a much higher level than regular or special education. State transportation aid has, over the years, steadily increased as a percentage of all transportation costs incurred by school districts. For the 1974-75 school year, transportation costs were reimbursed at 52.8 percent. During the 1981-82 school year, transportation costs were reimbursed at 75.8 percent. Total transportation costs for the 1987-88 school year were \$22,776,286 and state transportation aid payments were \$19,035,452 or 83.6 percent. At the same time, the state funded approximately 50 percent of the cost of regular education and 29 percent of the cost of special education.

The committee reviewed the wide disparity in the percentage of transportation costs reimbursed to school districts and the range in cost per mile. The committee learned some school districts that receive over 100 percent

of their transportation costs do not include administrative costs or depreciation as part of their transportation costs. In general, rural school districts received state aid in excess of 100 percent of their actual costs. The largest school districts with large student populations and relatively short bus routes received amounts varying between 40 and 75 percent of their transportation costs. The 1989 Legislative Assembly, in an effort to reduce this disparity, increased the per-pupil payments and decreased the mileage payments.

The Legislative Assembly approved House Bill No. 1637 (1989), which reduced mileage payments for transportation for the 1989-91 biennium from 35.5 to 25 cents for vehicles having a capacity of 9 or fewer students and from 72 to 68 cents for vehicles having a capacity of 10 or more students. The bill increased the per-pupil transportation payment from 19 to 25 cents per day and the in-city transportation payment from 9.5 to 12.5 cents per student per one-way trip. The Legislative Assembly also considered, but did not approve, bills to:

- Reduce the mileage payments for transportation from 35.5 to 34.5 cents for each year of the 1989-91 biennium for vehicles having a capacity of 9 or fewer students and from 72 to 70 cents per mile for schoolbuses having a capacity of 10 or more students. In addition, the per-pupil payment would have been increased from 19 to 26 cents per day and the in-city transportation payment would have been increased from 9.5 to 13 cents per student per one-way trip (House Bill No. 1044).
- Replace the transportation aid formula with a formula that distributed 55 percent of the amount appropriated for transportation to school districts on the basis of the number of sections of land in the school district and 45 percent on the basis of the number of students bused to school (House Bill No. 1218).
- Provide transportation payments to school districts for transporting students between schools to academic courses offered by schools with cooperative arrangements approved by the Superintendent of Public Instruction. The bill also provided for transportation payments for teacher travel between schools to teach (House Bill No. 1246).
- Provide, in addition to the mileage payment currently provided by law, a per-pupil payment that would have increased as the number of students transported per square bus route mile increased. The bill would have capped transportation aid at 120 percent of a school district's actual expenditures and provided that no school district would receive less than 50 percent of its actual expenditures during the 1<sup>st</sup> year of the 1989-91 biennium. During the 2<sup>nd</sup> year of the biennium, the bill would have prohibited a school district from receiving more than 110 percent or less than 50 percent of actual costs for transportation. The bill also would have provided for payments to school districts for transporting students between schools to academic courses and for teacher travel between schools to teach (Senate Bill No. 2438).

The committee made no recommendation regarding school finance issues, including transportation aid.

### **Education Committee - 1991-92 Interim**

The 1991-92 interim Education Committee reviewed transportation costs paid to school districts according to the per-mile amounts established by the Legislative Assembly. For the 1991-93 biennium, school districts transporting students living outside the incorporated limits of a city in which they attend school are entitled to receive 25 cents per mile for schoolbuses having a capacity of 9 or fewer students and 67 cents per mile for schoolbuses having a capacity of 10 or more students. In addition, school districts receiving payments for buses having a capacity of 10 or more students are also entitled to 28 cents per day for each public school student living outside the city limits who is transported in such buses. For students who ride schoolbuses or commercial buses to or from school and who live within the incorporated limits of the city in which the school the student is enrolled is located, a sum equal to 17.5 cents per student per one-way trip.

The committee considered a bill draft that would have raised the per-pupil payment from 28 to 64 cents per day. The bill draft would also have provided that no school district may receive more than 100 percent of the actual costs it incurs in the provision of transportation services. The bill draft would not have altered the reimbursement for students who reside within the incorporated limits of a city in which they attend school and ride schoolbuses or commercial buses to and from school. The bill draft would have required an appropriation of an additional \$1,572,000. The committee was informed that the current range for transportation reimbursements is too great and that the 100 percent cap suggested by the bill draft is an appropriate first step in equalizing transportation payments. However, the committee determined that in times of budgetary uncertainty, a commitment of over \$1,500,000 should be examined in light of the possibility that it might be better placed elsewhere within the educational funding scheme.

### **Litigation - *Bismarck Public School District No. 1 v. State of North Dakota***

In 1989 legal action was initiated for the purpose of declaring North Dakota's system of public school finance unconstitutional. The complaint in *Bismarck Public School District No. 1 v. State of North Dakota* charged that

disparities in revenue among the school districts had caused corresponding disparities in educational uniformity and opportunity and that these disparities were directly and unconstitutionally based upon property wealth.

On February 4, 1993, the district court issued 593 findings of fact and 32 conclusions of law. The court provided a list of "constitutionally objectionable" features of the school financing system, including a finding that features of the transportation aid program exacerbate existing resource disparities by reimbursing some, often wealthy, districts for more than the actual cost of transportation and require other, often poorer, districts to fund a substantial share of transportation costs from other revenue sources.

The district court declared the North Dakota school financing system to be in violation of Sections 1 and 2 of Article VIII and Sections 21 and 22 of Article I of the Constitution of North Dakota. The Superintendent of Public Instruction was directed to prepare and present to the Governor and the Legislative Assembly, during the 1993 legislative session, plans and proposals for the elimination of the wealth-based disparities among North Dakota school districts.

In response to the district court's order, the Superintendent of Public Instruction recommended the establishment of six categories of transportation reimbursement based upon density factors related to the number of students transported per square mile. Transportation payments would be based on the actual number of students transported and weighted at the density amounts listed below, times the guaranteed foundation amount:

Density Factor	Weight
0.001 to 0.250	0.2495
0.251 to 0.500	0.2036
0.501 to 0.750	0.1720
0.751 to 1.000	0.1481
1.001 to 1.999	0.1308
2.000 +	0.1819

### Education Finance - 1993 Legislative Session

The Legislative Assembly considered, but did not approve, Senate Bill No. 2432 (1993), which would have set transportation reimbursements at 35 cents per mile, plus 50 percent of the difference between the mileage payment and the transportation operating expenditures reported by the school district to the Superintendent of Public Instruction for the most recent year, plus the 5-year average cost of transportation equipment, as determined by the Superintendent. The total transportation reimbursement would have been capped at 70 percent of a school district's actual costs.

The Legislative Assembly eventually approved House Bill No. 1003 (1993), the appropriations bill for the Superintendent of Public Instruction. This bill became the principal 1993 education funding enactment and capped state transportation payments at 100 percent for the 1<sup>st</sup> year of the 1993-95 biennium and at 90 percent for the 2<sup>nd</sup> year of the biennium. In addition the bill directed that any savings resulting from imposition of the 90 percent cap during the 2<sup>nd</sup> year of the biennium be used by the Superintendent to increase the per-student transportation payments. In addition, the Legislative Assembly, in Section 9 of the bill, provided \$100,000 from the general fund and \$60,000 from other funds, available from the Office of Intergovernmental Assistance, to the Department of Public Instruction (DPI) for the purpose of studying school transportation services during the 1993-95 biennium. The department was to develop, by December 1, 1994, a school transportation system database that included the network of usable roads, school district boundaries, and the location of all schools and related facilities. The department was to negotiate with North Dakota State University in order to utilize any available information the university has regarding the study.

The Legislative Assembly approved House Bill No. 1438 (1993) to establish a statewide open enrollment program allowing elementary and high school students to attend school in a district other than their school district of residence. Section 5 of the bill provided the district of residence of a student participating in open enrollment has no obligation to provide transportation; however, the district of residence may enter into a transportation arrangement with the admitting district.

### Education Finance Committee - 1993-94 Interim

The 1993-94 interim Education Finance Committee began its efforts after the trial court decision was handed down, but before an appeal of *Bismarck Public School District No. 1* was taken to the North Dakota Supreme Court. The North Dakota Supreme Court issued its decision on January 24, 1994, midway through the 1993-94 interim--*Bismarck Public School District No. 1 v. State of North Dakota*, 511 N.W.2d 247 (N.D. 1994). A majority of the Supreme Court indicated that there were three principal areas in need of attention--in lieu of revenues, equalization factors, and transportation payments.

The Education Finance Committee was assigned, pursuant to Section 11 of House Bill No. 1003 (1993), a study of education finance issues. The study was to include the use of nonproperty factors in financing education, the quality of education, legal action regarding education finance issues, and the effect of any 1993 North Dakota legislation that relates to education financing.

The committee recommended Senate Bill No. 2059 (1995) to raise the per student transportation payment for all students transported by school buses from 28 cents to \$1 per day. The committee determined that transportation is a major expenditure for many districts and that this infusion of dollars would assist districts in directing more of their funds toward instruction expenses.

The committee also recommended House Bill No. 1044 (1995) to define the roles of a district of residence and an admitting district in the provision of student transportation. The committee determined that this bill would assist in clarifying the requirements, options, and reimbursements when transportation is provided to students attending school in a district other than their district of residence.

### **Education Finance - 1995 Legislative Session**

The 1995 Legislative Assembly enacted a variety of bills dealing with education and education finance, Senate Bill No. 2059 related to transportation funding. The bill maintained the per-mile payment of 25 cents for small buses and 67 cents for large buses and added a payment for in-city transportation of 25 cents per mile. The per-student payment for students living outside city limits transported on a schoolbus with a capacity of over nine students was increased from 28 to 40 cents per day. The per-student payment for in-city students riding schoolbuses or commercial buses was increased from 17.5 to 20 cents per one-way trip. The 90 percent cap on payments, which was instituted by the Legislative Assembly in 1993, was left in place.

The Legislative Assembly also approved House Bill No. 1044 (1995), which amended Section 15-40.3-05 related to open enrollment, to provide a school district may accept a nonresident student from another school district in the state which offers the same grade level as that in which the student is enrolled, without a charge and collection of tuition if a written agreement is made between the sending and receiving districts. The written agreement must specify whether transportation is to be provided and if so, by which district. If a school district of residence does not provide transportation to the student, it may be provided by the admitting district and the admitting district is then entitled to state payments for the transportation of the student.

### **Education Finance Committee - 1995-96 Interim**

The 1995-96 interim Education Finance Committee was assigned three responsibilities. Section 9 of Senate Bill No. 2519 (1995) directed a review of formulas used to equalize state aid in the areas of transportation and special education, a review of funding sources that could be alternatives to property taxes, and any other issues related to the financing of elementary and secondary schools.

The committee learned in 1993 the Legislative Assembly limited transportation payments to 90 percent of a district's current transportation operating cost plus the 8-year average cost of transportation equipment. Districts affected by the cap complained that reported transportation costs were not uniform among the districts. Superintendents from smaller districts said they spend considerable time on busing--time that is not reflected in the cost calculations. Other districts charge costs to other users of transportation services on an ability-to-pay basis. For example, an extracurricular program not having a budget for transportation may be subsidized by the regular transportation program in one district and not reported at all in another. Recognizing these inconsistencies, the 1995 Legislative Assembly directed the Superintendent of Public Instruction to develop and require that school districts use a uniform cost accounting system for the transportation reimbursement program.

The document, *Guidelines for Student Transportation Costs*, was issued in April 1996 and presented to the committee. The guidelines addressed contracted services, bus drivers, fuel, family transportation, repairs, maintenance, insurance, equipment costs, the district superintendent's allocation, business office and school board costs, and time allocation.

The committee was told that the Superintendent of Public Instruction believes that the 1995 formula, together with the uniform cost accounting system, must be given time to work and must be adequately assessed before legislative changes are made; therefore, the Superintendent did not intend to seek any changes in the transportation funding formula in 1997.

The committee considered a bill draft relating to contracted transportation services. According to testimony presented to the committee, if a school district switches from contracting for transportation services to providing its own transportation services, there is a problem in determining actual costs for reimbursement purposes. The bill

draft provided that in such a situation a school district may use the higher of its own transportation operating expenditures or the statewide average cost of transportation during that 1<sup>st</sup> year. The committee determined that contracted costs include capital expenditures and therefore it is reasonable that school districts switching from contracting for services to providing their own services be given a factor they can use when applying for transportation reimbursements. Though not a widespread problem, it was significant to the affected school districts. Approximately 20 percent of all school districts contracted for transportation services.

The committee recommended Senate Bill No. 2031 (1997) to provide that if a school district has contracted for transportation services and then proceeds to provide its own transportation services, the school district may use the higher of its own transportation operating expenditures or the statewide average cost of transportation during the 1<sup>st</sup> year for which it seeks transportation reimbursement from the Superintendent of Public Instruction. The committee determined that it was important to statutorily establish a base cost so that districts switching from contracted services to their own services can obtain reimbursement during the 1<sup>st</sup> year in which they provide their own services.

### **Education Finance - 1997 Legislative Session**

The Legislative Assembly approved Senate Bill No. 2031 (1997) to provide any district that has contracted for transportation services may determine its actual costs for the 1<sup>st</sup> year it provides its own transportation services by using the statewide average cost of transportation during that 1<sup>st</sup> year. In addition, the Legislative Assembly provided, in Senate Bill No. 2338 (1997), \$50,000 from the general fund to the Superintendent of Public Instruction for the purpose of developing data envelopment analysis for North Dakota school districts, integrating the data envelopment analysis into the school maps system, and updating the profiles of North Dakota school districts, during the 1997-99 biennium. Section 4 of Senate Bill No. 2338 also provided for a review of the formulas used to equalize state aid, including formulas for student transportation and special education, funding sources that would be alternatives to property tax, and any other issues related to the financing of elementary and secondary schools. The total amount appropriated for transportation aid during the 1997-99 biennium was \$36,768,320.

### **Education Finance - 1999 Legislative Session**

The 1999 Legislative Assembly did not change the transportation aid formula, but appropriated \$36 million for transportation aid.

### **Education Finance - 2001 Legislative Session**

The Legislative Assembly, in House Bill No. 1045 (2001), completed the rewrite of the provisions of Title 15 which related to elementary and secondary education. Section 15.1-27-26 was created and enacted to provide for transportation payments. As approved in House Bill No. 1045, Section 15.1-27-26 provided the same reimbursement as contained in Title 15. In Section 17 of House Bill No. 1013 (2001), the appropriation bill for DPI, the Legislative Assembly amended subsection 1 of Section 15.1-27-26, as created by House Bill No. 1045, to provide the following transportation aid during the 2001-03 biennium:

1. Each school district providing transportation to students in contract schoolbuses or in district-owned and operated schoolbuses, and each school district with students riding commercial buses to and from school is entitled to receive the following amounts:
  - a. Twenty-five cents per mile [1.61 kilometers] for each schoolbus and school vehicle having a capacity of nine or fewer students and transporting students who reside outside the incorporated limits of the city in which the students' school is located.
  - b. Sixty-seven cents per mile [1.61 kilometers] for each schoolbus and school vehicle having a capacity of ten or more students and transporting students who reside outside the incorporated limits of the city in which the students' school is located.
  - c. Twenty-five cents per mile [1.61 kilometers] for each schoolbus and school vehicle having a capacity of nine or fewer students and transporting students who reside within the incorporated limits of a city in which the students' school is located.
  - d. Thirty-five cents per mile [1.61 kilometers] for each schoolbus and school vehicle having a capacity of ten or more students and transporting students who reside within the incorporated limits of a city in which the students' school is located.
  - e. Twenty cents for each one-way trip by a student who rides a schoolbus or a commercial bus to or from school and who resides within the incorporated limits of the city in which the student's school is located.

The Legislative Assembly did not change subsection 2 of Section 15.1-27-26, as created by House Bill No. 1045, which provided a school district that is entitled to payments for a schoolbus having a capacity of 10 or more students is also entitled to receive 40 cents per day for each public school student who resides outside the city limits and who is transported in such a bus.

Section 15.1-27-31 continued the provision that no school district may receive more than 90 percent of actual costs it incurs in the provision of transportation services.

Section 15.1-31-05 regarding open enrollment transportation provided a school district of residence may provide transportation to a student participating in open enrollment. If a district of residence does not provide transportation to a student participating in open enrollment, transportation may be provided by the admitting district, and the admitting district is then entitled to state payments for the transportation of that student.

### **Education Committee - 2001-02 Interim**

The 2001-02 interim Education Committee was assigned four studies including, pursuant to House Concurrent Resolution No. 3052 (2001), a study of the safety, efficiency, and cost effectiveness with respect to school district transportation. The committee learned for the 1999-2000 school year 46,114 students were transported 23,349,766 miles at a total cost of \$29,515,603 in North Dakota. The average cost of transportation per student transported was \$640.06, and the average cost per mile was \$1.26.

The committee reviewed transportation payments provided in Section 15.1-27-26. The committee learned the school district transportation payment system is based on historical costs. School districts receive transportation formula dollars based upon the miles traveled by a particular sized schoolbus. Regardless of whether a large bus transports 2 or 40 students, the rate of payment is the same. The method used by North Dakota to promote efficiency involved capping transportation payments at 90 percent of the actual cost incurred by the district.

The committee learned that an alternate method for measuring and encouraging efficiency, as well as providing a basis for funding, involves an analysis of comparable operating units. All school districts in the state would be divided into categories or peer groups. Once the categories or groups are established, the next step is to standardize the factors. In the case of school district transportation the factors might include costs for administrators, drivers, mechanics, repairs, fuel, etc. Through use of a mathematical formula, variables are analyzed to determine the relative efficiency of each district. Each district is compared to the other districts in its category or group. If funding is made a part of the formula, the funding is then based on the operational cost of the most efficient district in the category. This type of analysis is known as data envelopment analysis. In addition to providing a basis for funding, it is also able to assist school districts in reconfiguring their transportation routes so that the greatest possible degree of efficiency might be attained.

The committee learned a data envelopment analysis project had been in a stage of partial completion for a number of years. An initial appropriation of \$50,000 was made for the project during the 1997 legislative session, but not supplemented in 1999 nor 2001.

The committee recommended Senate Bill No. 2032 (2003) to appropriate \$50,000 to the Superintendent of Public Instruction for the completion of the data envelopment analysis project. The committee determined that the completion of the project was a necessary precursor to an examination of changes in the school district transportation funding formula. The committee learned there existed tremendous payment differentials between districts having seemingly similar characteristics. By using a data envelopment analysis system, a new transportation payment system could be developed and implemented. This system would determine payments based on the most efficient school district in each peer group or category.

### **Education Finance - 2003 Legislative Session**

The 2003 Legislative Assembly provided a general fund appropriation of \$34.8 million (included in the state school aid line item) for transportation aid, a decrease of \$1.2 million from the amount appropriated for the 2001-03 biennium of \$36 million. Senate Bill No. 2421, approved during the 2003 special legislative session, repealed Sections 15.1-27-26, 15.1-27-27, 15.1-27-28, 15.1-27-29, 15.1-27-30, and 15.1-27-31 related to payments for school district transportation of students, payments for school district transportation of special education students, payments for school district transportation of vocational and technical education students, certification of information for transportation payments, distribution of transportation payments in the school closure, and state transportation payments to school districts. Section 31 of the bill provided that DPI distribute transportation aid to each school district in the state in an amount equal to the transportation aid payments received by the school district during the 2001-03 biennium.

The Legislative Assembly, in Section 28 of Senate Bill No. 2421 (2003), amended Section 15.1-31-05 related to open enrollment transportation to remove the admitting district's entitlement to state payments for the transportation of the student.

In addition, the Legislative Assembly approved Senate Bill No. 2032 (2003) to appropriate \$50,000 to the Superintendent of Public Instruction for the completion of the data envelopment analysis project.

### **Education Committee - 2003-04 Interim**

The 2003-04 interim Education Committee learned before the 2003 legislative session, Century Code provided for school district transportation payments based on the number of miles driven, the size of bus used, and in certain instances even the number of one-way trips taken by students. The payment system was based on historical costs, and efficiency was encouraged by capping the transportation payments at 90 percent of a district's stated actual costs.

Although dissatisfaction with the payment system was evident, no viable funding alternative presented itself; therefore, the 2003 Legislative Assembly removed all statutory references to the transportation funding system and provided that all school districts be given a block grant equal to the amount they received for transportation during the 2001-03 biennium. In addition, the Legislative Assembly appropriated \$50,000 for completion of a data envelopment analysis project in the hope it would provide the basis for a viable and equitable transportation funding system that could be considered by the 2005 Legislative Assembly.

Data envelopment analysis is an alternate method for measuring and encouraging efficiency, as well as providing a basis for funding. Data envelopment analysis involves consideration of comparable operating units. With respect to school district transportation, all school districts in the state are divided into categories or peer groups. Once the categories or groups are established, the next step is to standardize the inputs. These would include costs for administrators, drivers, mechanics, repairs, fuel, etc. Data envelopment analysis also accounts for factors such as road conditions, which are outside management control. Through use of a mathematical formula, the variables are then analyzed to determine the relative efficiency of each district. Each district is compared to the other districts in its category or group. If funding is made a part of the formula, the funding is then based on the operational cost of the most efficient district in the category. Not only does data envelopment analysis provide a basis for funding, it also assists school districts in reconfiguring their transportation routes so that the greatest possible degree of efficiency might be attained.

The committee recommended House Bill No. 1033 (2005) to require the Superintendent of Public Instruction to use data envelopment analysis as the basis for calculating school district transportation payments. The committee amended the original bill draft to provide for a 3-year phase-in period so school districts that would lose money under a data envelopment analysis-based formula could have additional time to make budgetary adjustments. The committee expressed concern that approximately 75 school districts would gain money, approximately 125 school districts would lose money, and the remaining school districts would see minimal impact. The committee also was concerned that as the 125 school districts become more efficient, future increases recognizing their efficiency would come from the higher funding given initially to the 75 school districts. The committee concluded that money had been spent to conduct the data envelopment analysis study and therefore the entire Legislative Assembly should have an opportunity to examine the transportation funding system that would be generated.

### **Education Finance - 2005 Legislative Session**

The 2005 Legislative Assembly provided a general fund appropriation of \$33.5 million (included in the state school aid line item) for transportation aid, a decrease of \$1.3 million from the amount appropriated for the 2003-05 biennium. House Bill No. 1033 (2005) relating to the use of data envelopment analysis as the basis for calculating school district transportation payments, introduced by the Legislative Management, was not approved. Instead, Section 25 of House Bill No. 1154 (2005) required that for the 1<sup>st</sup> year of the 2005-07 biennium, DPI apply the transportation formula as it existed on June 30, 2001, except provide reimbursement for in-city mileage at the rate of 50 cents for schoolbuses having a capacity of 10 or more students and reimbursement for vehicles having a capacity of 9 or fewer students and transporting students who live outside the incorporated limits of a city at the rate of 40 cents per mile, and the Superintendent of Public Instruction is to use the latest available student counts in determining transportation payments. During the 2<sup>nd</sup> year of the biennium, the Superintendent is to distribute the same amount to each school district as the district received during the 1<sup>st</sup> year of the biennium.

In addition, in Section 34 of House Bill No. 1154, the Legislative Assembly provided a \$30,000 general fund appropriation to DPI for contracting to provide transportation efficiency training to school district personnel.

### **Education Finance - 2007 Legislative Session**

The 2007 Legislative Assembly provided a general fund appropriation of \$33.5 million for transportation aid, the same amount as appropriated for the 2005-07 biennium. In addition, the Legislative Assembly provided that DPI is to use \$2 million of the estimated funding available for contingent per student and transportation aid distributions for the 2005-07 biennium for providing additional transportation grants to school districts during the 2007-09 biennium as provided in Senate Bill No. 2200 (2007). The Legislative Assembly, in Section 48 of Senate Bill No. 2200 provided that DPI is to distribute transportation aid for the 2007-09 biennium as follows:

1. For the 1<sup>st</sup> year of the biennium, DPI is to distribute transportation aid based on the state transportation formula as it existed on June 30, 2001, except that DPI is to provide reimbursement at the rate of:
  - a. 51.5 cents per mile for schoolbuses having a capacity of 10 or more passengers and transporting students within city limits.
  - b. 73.5 cents per mile for schoolbuses having a capacity of 10 or more passengers and transporting students in rural areas.
  - c. 40 cents per mile for vehicles having a capacity of 9 or fewer passengers and transporting students in rural areas.
2. For the 2<sup>nd</sup> year of the biennium, DPI is to distribute transportation aid to each school district in the same amount the district received for the 1<sup>st</sup> year of the biennium.

In addition, Section 48 of Senate Bill No. 2200 also provided that if any funds appropriated for transportation aid for the 2007-09 biennium remained unspent after all statutory obligations were met, DPI was to prorate the remaining amounts according to the percentage of the total transportation formula amount to which each school district is entitled.

### **Education Finance - 2009 Legislative Session**

The 2009 Legislative Assembly provided \$43.5 million from the general fund for transportation aid, \$10 million more than the 2007-09 biennium. In addition, the Legislative Assembly provided a \$5 million appropriation from the general fund for supplemental transportation aid payments contingent on the Office of Management and Budget projecting during the 2009-11 biennium that the June 30, 2011, ending balance of the state general fund will be at least \$30 million more than estimated by the 2009 Legislative Assembly.

Section 54 of House Bill No. 1400 (2009) provided that DPI is to distribute transportation aid for the 2009-11 biennium based on the state transportation formula as it existed on June 30, 2001, except that DPI is to provide reimbursement at the rate of:

- 92 cents per mile for schoolbuses having a capacity of 10 or more passengers.
- 44 cents per mile for vehicles having a capacity of 9 or fewer passengers.
- 24 cents per student for each one-way trip.

In addition, Section 54 of House Bill No. 1400 also provided that if any funds appropriated for transportation aid for the 2009-11 biennium remain unspent after all statutory obligations are met, DPI is to prorate the remaining amounts according to the percentage of the total transportation formula amount to which each school district is entitled.

At the conclusion of the 2009 legislative session, the North Dakota Commission on Education Improvement began its 3<sup>rd</sup> and final interim effort. The commission's recommendations to the 2011 Legislative Assembly included increasing transportation funding by \$5 million. The payment for large schoolbuses would increase from 92 cents to \$1.03 per mile, the payment for small buses would increase from 44 to 46 cents per mile, the rate per student ride would increase from 24 to 26 cents per mile, and family transportation would increase to 46 cents for each mile over two miles per one-way trip, assuming that the \$5 million contingent appropriation enacted in 2009 would not be triggered.

### **Education Finance - 2011 Legislative Session**

The 2011 Legislative Assembly provided \$48.5 million from the general fund for transportation aid. This level of funding was the same as the 2009-11 biennium, which included a contingent \$5 million appropriation from the general fund for supplemental transportation aid payments. The appropriation was contingent on the Office of Management and Budget projecting during the 2009-11 biennium that the June 30, 2011, ending balance of the state general fund will be at least \$30 million more than estimated by the 2009 Legislative Assembly. The February

2011 executive revenue forecast estimated the conditions would be met and the contingent supplemental transportation aid payments would be made.

Section 36 of Senate Bill No. 2150 (2011) required DPI to distribute transportation aid for the 2011-13 biennium based on the state transportation formula as it existed on June 30, 2001, except that DPI is to provide reimbursement at the rate of:

- \$1.03 per mile for schoolbuses having a capacity of 10 or more passengers.
- 46 cents per mile for vehicles having a capacity of 9 or fewer passengers.
- 46 cents per mile round trip for family transportation of a student with a disability whose individualized education program plan requires that the student attend a school outside the student's school district of residence.
- 46 cents per mile one-way for family transportation if the student lives more than two miles from the public school the student attends.
- 26 cents per student for each one-way trip.

Section 36 of Senate Bill No. 2150 also provided that if any funds appropriated for transportation aid for the 2011-13 biennium remain unspent after all statutory obligations are met, DPI is to prorate and distribute the remaining amounts according to the percentage of the total transportation formula amount to which each school district is entitled.

In addition, Sections 18 and 19 of Senate Bill No. 2013 (2011) amended 2009 Session Laws to provide that DPI continue up to \$9.5 million of estimated excess funding for state school aid and transportation aid payments from the 2009-11 biennium to the 2011-13 biennium for state school aid per student payments (\$9 million) and adult education learning center grants (\$500,000). Any additional excess funds remaining at the end of the 2009-11 biennium are to be distributed according to provisions of House Bill No. 1400 (2009). The department anticipates the 2009-11 biennium funding for state school aid will exceed the per student state school aid obligation by approximately \$8 million and the funding for transportation aid payments will exceed obligations by approximately \$1.9 million. The 2009 Legislative Assembly provided in House Bill No. 1400 that any funds appropriated for state school aid remaining after DPI has provided for all statutory payment obligations be distributed as additional per student payments on a prorated basis according to the latest available average daily membership of each school district and that any funds remaining after the application of the transportation formula be distributed on a pro rata basis based on percentage of total transportation formula payments.

### **Education Finance - 2013 Legislative Session**

The 2013 Legislative Assembly approved the implementation of a new integrated formula payment to provide school funding; however, except to increase funding to provide \$53.5 million from the general fund, the Legislative Assembly did not change the funding mechanism for transportation aid. This level of funding was \$5 million more than the 2011-13 biennium.

Section 9 of House Bill No. 1013 (2013) required DPI to distribute transportation aid for the 2013-15 biennium based on the state transportation formula as it existed on June 30, 2001, except that DPI is to provide reimbursement at the rate of:

- \$1.13 per mile for schoolbuses having a capacity of 10 or more passengers.
- 52 cents per mile for vehicles having a capacity of 9 or fewer passengers.
- 50 cents per mile round trip for family transportation of a student with a disability whose individualized education program plan requires that the student attend a school outside the student's school district of residence.
- 50 cents per mile one way for family transportation if the student lives more than two miles from the public school the student attends.
- 30 cents per student for each one-way trip.

Section 9 of House Bill No. 1013 also provided if any funds appropriated for transportation aid for the 2013-15 biennium remain unspent after all statutory obligations are met, DPI is to prorate and distribute the remaining amounts according to the percentage of the total transportation formula amount to which each school district is entitled.

### **Education Finance - 2015 Legislative Session**

The 2015 Legislative Assembly provided \$57 million from the general fund for transportation aid during the 2015-17 biennium. This level of funding was \$3.5 million more than 2013-15 biennium funding of \$53.5 million from the general fund. Section 7 of Senate Bill No. 2013 (2015) required DPI to distribute transportation aid for the 2015-17 biennium based on the state transportation formula as it existed on June 30, 2001, except that DPI is to provide reimbursement at the rate of:

- \$1.18 per mile for schoolbuses having a capacity of 10 or more passengers.
- 55 cents per mile for vehicles having a capacity of 9 or fewer passengers.
- 54 cents per mile round trip for family transportation of a student with a disability whose individualized education program plan requires that the student attend a school outside the student's school district of residence.
- 54 cents per mile one way for family transportation if the student lives more than two miles from the public school the student attends.
- 32 cents per student for each one-way trip.

Section 7 of Senate Bill No. 2013 also provides if any funds appropriated for transportation aid for the 2015-17 biennium remain unspent after all statutory obligations are met, DPI is to prorate and distribute the remaining amounts according to the percentage of the total transportation formula amount to which each school district is entitled.

In addition to \$57 million provided from the general fund for transportation aid during the 2015-17 biennium in Senate Bill No. 2013, the Legislative Assembly provided, in Section 13 of Senate Bill No. 2015 (2015), that if any funding appropriated to the Superintendent of Public Instruction for integrated formula payments to school districts remains after the Superintendent complies with all statutory payment obligations imposed for the 2015-17 biennium, the Superintendent must provide up to \$3 million of the funds remaining for additional transportation grants. The Superintendent must prorate the available funding according to the percentage of the total transportation formula amount to which each school district is entitled.

Section 23 of Senate Bill No. 2013 provided for a Legislative Management study of school district transportation and state reimbursement. This study was not prioritized for study during the 2015-16 interim by the Legislative Management.

### **Education Finance - 2017 Legislative Session**

The Legislative Assembly provided \$55.4 million from the general fund for transportation aid during the 2017-19 biennium. This level of funding is \$1.6 million less than 2015-17 biennium funding of \$57 million from the general fund. Section 13 of House Bill No. 1013 (2017) requires DPI to distribute transportation aid for the 2017-19 biennium based on the state transportation formula as it existed on June 30, 2001, except that DPI is to provide reimbursement at the rate of:

- \$1.11 per mile for schoolbuses having a capacity of 10 or more passengers.
- 52 cents per mile for vehicles having a capacity of 9 or fewer passengers.
- 50 cents per mile round trip for family transportation of a student with a disability whose individualized education program plan requires that the student attend a school outside the student's school district of residence.
- 50 cents per mile one way for family transportation if the student lives more than 2 miles from the public school the student attends.
- 30 cents per student for each one-way trip.

In addition to the \$57 million provided from the general fund for transportation aid during the 2015-17 biennium in Senate Bill No. 2013 (2015), the Legislative Assembly provided, in Section 13 of Senate Bill No. 2015 (2015), that if any funding appropriated to the Superintendent of Public Instruction for integrated formula payments to school districts remains after the Superintendent complies with all statutory payment obligations imposed for the 2015-17 biennium, the Superintendent must provide up to \$3 million of the funds remaining for additional transportation grants. The Superintendent must prorate the available funding according to the percentage of the total transportation formula amount to which each school district is entitled. The Legislative Assembly, in Section 27 of

House Bill No. 1013 (2017), repealed Section 13 of Chapter 49 of the 2015 Session Laws which provided for the contingent transportation payments.

Section 8 of House Bill No. 1013 allowed the Superintendent of Public Instruction to transfer \$1,308,000 in general fund authority from the integrated formula payments line item to the grants - special education line item (\$1,200,000) and the transportation grants line item (\$108,000) during the 2015-17 biennium for anticipated obligations based on the special education and transportation formulas.

### **Education Finance - 2019 Legislative Session**

The 2019 Legislative Assembly reviewed funding for transportation aid. In testimony provided to the Legislative Assembly, DPI reported that statewide, transportation aid provides approximately 50 percent of the cost of transportation to school districts. Members of the House Appropriations Committee expressed concern regarding the formula and multiple reimbursement for the same miles on certain routes when districts cross paths and family transportation is reimbursed. Concern was also expressed regarding the transportation formula subsidizing districts transporting students from other districts and the inability to verify routes and reimbursement.

The Legislative Assembly provided \$56.5 million from the general fund for transportation aid during the 2019-21 biennium. This level of funding is \$1.1 million more than 2017-19 biennium funding of \$55.4 million from the general fund. This level of funding will allow reimbursement rates to remain the same as the 2017-19 biennium. In addition, the Legislative Assembly removed funding for the transportation efficiency line item in DPI's budget and included transportation efficiency in the flexible funding pool.

Section 10 of Senate Bill No. 2013 (2019) requires DPI to distribute transportation aid for the 2019-21 biennium based on the state transportation formula as it existed on June 30, 2001, except that DPI is to provide reimbursement at the rate of:

- \$1.11 per mile for schoolbuses having a capacity of 10 or more passengers.
- 52 cents per mile for vehicles having a capacity of 9 or fewer passengers.
- 50 cents per mile round trip for family transportation of a student with a disability whose individualized education program plan requires that the student attend a school outside the student's school district of residence.
- 50 cents per mile one way for family transportation if the student lives more than two miles from the public school the student attends.
- 30 cents per student for each one-way trip.

A copy of the state transportation formula, as it existed on June 30, 2001, is attached as [Appendix C](#).

In addition, copies of Chapter 15.1-29 related to nonresident tuition and reciprocity, Chapter 15.1-30 related to the transportation of students, and Chapter 15.1-31 related to open enrollment are attached as Appendices [D](#), [E](#), and [F](#), respectively.

Section 20 of Senate Bill No. 2013 provided for a Legislative Management study of school district transportation, including district routes, expenditures, reimbursement, and possible efficiencies. This study was prioritized for study during the 2019-20 interim by the Legislative Management.

### **PROPOSED STUDY PLAN**

The committee may wish to proceed with this study as follows:

1. Receive information from DPI regarding how transportation aid for elementary and secondary education is determined and distributed under the state aid funding formula, including reporting, mapping requirements, and department oversight.
2. Receive information from DPI regarding transportation aid funding provided for students attending school districts outside of their residential district.
3. Receive information from DPI regarding transportation aid funding provided for family transportation, and to the extent available, information regarding transportation funding provided for family transportation of students attending school districts outside of their residential district.
4. Receive information from DPI regarding a prior data envelopment analysis project.

5. Receive information from DPI regarding department guidelines for student transportation costs issued by DPI and provided to school districts.
6. Receive information from DPI regarding a comparison of state transportation aid to the actual cost of transportation by school district.
7. Receive information from stakeholders regarding the impact of transportation aid funding on elementary and secondary education in the state.
8. Receive information from DPI and others regarding inequities and challenges in the application of the state transportation formula and possible improvements to provide equity and encourage efficiency.
9. Gather and review information regarding potential changes to the state transportation formula to ensure efficiency, equity, adequacy, and sustainability.
10. Develop committee recommendations and prepare any legislation necessary to implement the committee recommendations.
11. Prepare a final report for submission to the Legislative Management.

ATTACH:6