
SENATE COMMITTEE ON EDUCATION

Senator Liu, Chair
2015 - 2016 Regular

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Author: Block
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Consultant: Lenin Del Castillo
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Subject: School transportation: apportionments

SUMMARY

This bill would provide for school districts to be funded at a minimum of 50 percent of approved transportation costs by the 2021-22 fiscal year, thereby providing equalization funding for school districts that are reimbursed at less than 50 percent. The equalization adjustments would occur over a seven-year period beginning in 2015-16. In addition, this bill provides that school transportation funding receive an annual cost-of-living adjustment (COLA) from the 2015-16 fiscal year through the 2021-22 fiscal year.

BACKGROUND

Current law authorizes school districts and county offices of education to provide transportation services to regular education students attending their schools at the discretion of their governing board. Additionally, current law requires school districts to provide transportation services for special education students whose individualized education programs require such services. (Education Code § 39800 and § 41850 et. seq.)

Federal law requires local educational agencies to transport the following three groups of students: (a) students with disabilities; (b) students attending federally sanctioned schools; and (c) homeless students. School districts generally use one of two types of funding for pupil transportation: general purpose or categorical funds. General purpose funds can be spent on anything from teacher salaries to utility bills. Categorical funds must be spent on specific purposes, e.g., the Home-to-School Transportation (HTST) program in which school districts utilize the funds received to provide transportation services to special education and regular education students.

In 2013, the Local Control Funding Formula (LCFF) was enacted. The LCFF replaces almost all sources of state funding, including most categorical programs. The LCFF establishes a per-pupil funding target that is adjusted for differences in grade level, but otherwise is uniform across the state. The LCFF also provides supplemental funding for districts that serve students who are low-income, English language learners, or foster youth. However, one categorical program not rolled into the LCFF is the HTST program. This program retained its separate funding stream; such that any district that received HTST funding in 2012-13 continues to receive that same amount of funding in addition to its LCFF allocation each year. However, the HTST, unlike in prior years, would not be eligible for future cost-of-

living adjustments (COLAs). And state law continues to require that districts spend HTST funding on pupil transportation.

ANALYSIS

This bill:

1. Requires the Superintendent of Public Instruction, for the 2015-16 through 2021-22 fiscal years, to apportion to each school district, county office of education, entity providing services under a joint powers agreement, or regional occupational center or program that provides pupil transportation services either 100 percent of its school transportation apportionment for the 2014-15 fiscal year, as adjusted for a cost-of-living-adjustment (COLA); or the following amount, whichever is greater:
 - A. For the 2015–16 fiscal year, 41 percent of its approved transportation costs for the prior fiscal year.
 - B. For the 2016–17 fiscal year, 42.5 percent of its approved transportation costs for the prior fiscal year.
 - C. For the 2017–18 fiscal year, 44 percent of its approved transportation costs for the prior fiscal year.
 - D. For the 2018–19 fiscal year, 45.5 percent of its approved transportation costs for the prior fiscal year.
 - E. For the 2019–20 fiscal year, 47 percent of its approved transportation costs for the prior fiscal year.
 - F. For the 2020–21 fiscal year, 48.5 percent of its approved transportation costs for the prior fiscal year.
 - G. For the 2021–22 fiscal year, 50 percent of its approved transportation costs for the prior fiscal year.
2. Requires for the 2013–14 fiscal year school transportation apportionment amount described above shall be adjusted by the percentage change in the annual average value of the Implicit Price Deflator for State and Local Government Purchases of Goods and Services for the United States, as published by the United States Department of Commerce for the 12-month period ending in the third quarter of the prior fiscal year. This percentage change shall be determined using the latest data available as of May 10 of the preceding fiscal year compared with the annual average value of the same deflator for the 12-month period ending in the third quarter of the second preceding fiscal year, using the latest data available as of May 10 of the preceding fiscal year, as reported by the Department of Finance.

STAFF COMMENTS

1. ***Need for the bill.*** According to the author's office, the Home-to-School Transportation (HTST) program has long been inequitable and in need of improvement where the current statewide average reimbursement rate is 35 percent of approved costs. The funding distribution is so uneven that some school districts see less than 10 percent reimbursement, while others receive over 80 percent of their approved costs. Based on data from the Legislative Analyst's Office (LAO) report on the Home-to-School Transportation (HTST) program in 2014, school districts spent over \$1.4 billion transporting students but received less than \$492 million from the state to pay these costs resulting in encroachment on general purpose revenues that would otherwise go into instructional programs. This funding deficit is an unequal burden that hits rural and growing school districts much harder than more densely populated and flat enrollment school districts.

This bill would bring severely underfunded districts up to a 50 percent reimbursement rate; while also providing for a cost-of-living-adjustment (COLA) for transportation funds for all school districts. The author's office also indicates that applying a COLA can ensure districts will not be negatively impacted as costs of service rise.

2. ***2014 Budget Act.*** The 2014 Budget Act provides approximately \$496 million in Proposition 98 General Fund for the HTST program, which includes both allocations for home-to-school transportation and allocations for some pupils with disabilities, specifically "severely disabled and orthopedically impaired" pupils.
3. ***Legislative Analyst Office Report.*** In 2013, the LAO was requested to consider new approaches that could address historical inequities and include incentives for efficient and effective pupil transportation services. The report was issued February 2014 and included a description and assessment of three options: (1) funding pupil transportation services within the new Local Control Funding Formula (LCFF), (2) creating a new, targeted program to help districts facing extraordinarily high transportation costs, and (3) creating a broad-based program whereby the state pays a share of each district's transportation costs.

To assist the Legislature's deliberations, the LAO identified three options for funding pupil transportation moving forward. The options primarily differ in the degree to which they account for transportation costs separately from the other costs districts face. These three options are to (1) fund transportation costs within the LCFF; (2) fund only extraordinary transportation costs; or (3) fund a share of all transportation costs. Although the basic approach for each option differs, all contain some key advantages. Most notably, all three options provide a means to phase out the use of allocations linked to historical factors and apply the same funding rules to all local education agencies, addressing key problems with the state's existing approach. In addition, all of the options would encourage efficiency by requiring local budgets to cover a notable share of total costs.

Finally, all three options would be relatively simple to implement and easy for districts and the public to understand.

4. ***Problems with the existing program are not new.*** The Bureau of State Audits (BSA) released a report on the HTST program in 2007, acknowledging many problems with the existing program funding formula. Some of the findings include:
 - A. The current funding mechanism prevents some school districts that did not receive Home-to-School Transportation (HTST) program funds in the immediately preceding fiscal year from receiving these funds because of the basis of allocation.
 - B. Allocation increases are not always consistent with student population growth. Some school districts have experienced dramatic increases in student population over the years; however, their allocations have not always increased at the same rate.
 - C. Most school districts had to use other funding sources to pay for some transportation costs and many reported it had varying levels of fiscal impact on other programs.
5. ***How much funding exposure would this bill create?*** According to information provided by the author, the total amount of funding to implement this measure is approximately \$249 million over the seven year implementation period, or an average increase per year of approximately \$35.6 million.
6. ***California has long provided state funding to school districts for student transportation.*** Before 1984, a law formally prescribed allocations for transportation to elementary and high school districts. Legislation passed in 1983 required that Education allocate the HTST program funds based on the same amount as the school district's prior year's allocation, increased by the amount provided in the Budget Act, if its approved cost for that year was at least 95 percent of its Home-to-School program allocation for the same year. Otherwise, this legislation required an amount equal to the school district's certified percentage of the prior year's transportation costs plus 5 percent, the sum increased by the amount provided in the Budget Act. Legislation enacted in 1991 amended previous laws and created the current funding formula. This legislation required that, beginning with fiscal year 1993–94, each school district receive a student transportation allowance equal to the lesser of its prior year Home-to-School program allocation or actual approved transportation expenditures from that year, increased by the growth in average daily attendance rate and cost-of-living adjustments as specified in the Budget Act.
7. ***Related and prior legislation***

SB 1137 (Torres, 2014), nearly identical to this measure, would have provided for school districts to be funded at a minimum of 50 percent of

approved transportation costs by the 2020-21 fiscal year, thereby providing equalization funding for school districts that are reimbursed at less than 50 percent. SB 1137 passed this Committee on April 9, 2014 but failed passage in the Assembly Appropriations Committee.

SB 1166 (Vidak, 2014), required school districts to receive state reimbursement for the full cost of home-to-school transportation of pupils. Commencing with the 2014-15 fiscal year, these costs shall be reimbursed through an appropriation in the annual Budget Act. SB 1166 failed passage in this Committee on April 9, 2014.

SUPPORT

Antelope Valley Schools Transportation Agency
California Association of School Business Officials
California Association of School Transportation Officials
California Association of Suburban School Districts
California School Boards Association (sponsor)
California School Employees Association
Central Valley Education Coalition
Elk Grove Unified School District
Kern County Superintendent of Schools
Mid-Placer Public Schools Transportation Agency
Pajaro Valley Unified School District
Riverdale Joint Unified School District
Rural County Representatives of California
San Jose Unified School District
School Transportation Coalition
Small School Districts' Association
Southwest Transportation Agency
West County Transportation
Wilsona School District

OPPOSITION

California Charter Schools Association

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