

DPI 2007-09 BIENNIAL BUDGET REQUEST

DECISION ITEM 5001 – TRANSPORTATION AID

210 – Aid for pupil transportation *s. 20.255 (2) (cr)*

FISCAL SUMMARY	
2007-08 Request	2008-09 Request
\$0	\$0

Request/Objective

There are two components to this request:

- Increase the reimbursement rate for pupils transported over 12 miles from \$180 to \$220 per pupil for both years of the 2007-09 biennium. No additional GPR funds are needed; the base appropriation is projected to be sufficient.
- Request statutory language similar to that in 2005 Assembly Bill 726 which allows schools to claim refunds of the motor vehicle fuel tax.

Background/Analysis of Need

Geographically large rural districts that transport pupils significant distances (over 12 miles) have been most hard hit by increasing transportation costs due to the longer bus routes they often incur. Individual district transportation costs vary widely among districts, from little more than \$50 per pupil in some districts (e.g. South Milwaukee) to over \$1,000 per pupil in others (e.g. South Shore).

Transportation costs have increased significantly over the past 20-plus years (labor, maintenance, insurance, fuel, etc.) and have particularly increased during the past 12 months as a result of spikes in fuel costs.

While the state increased pupil transportation aid in the last biennial budget, it can be argued that districts transporting pupils longer distances still need additional assistance as the department's recommendation two years ago in this area was not fully realized in the biennial budget process.

Increase in Transportation Aid Rates

Before the 2005-07 biennial budget, state pupil transportation categorical aid had not been increased since 1990-91. Fortunately, the Governor and Legislature, based on the department's budget request, agreed to increase pupil transportation aid by \$3,200,000 in FY06 and by \$9,550,000 in FY07. In FY07, the pupil transportation aid appropriation will total \$27,292,500 GPR.

Similarly, before the 2005-07 biennial budget, state pupil transportation categorical aid had been based upon a flat annual amount per transported student that had been unchanged since 1980-81. Again, the Governor and Legislature agreed with much of the department's budget proposal to increase the rates of reimbursement, especially to school districts that transport their pupils more than eight miles each way to school each day. However, the department had recommended a per pupil 12-plus mile rate of \$200, while \$180 was the final amount provided.

Under current law, school districts are required to provide transportation services to public and private school students enrolled in regular education programs if the student resides more than two miles from the nearest public school they are entitled to attend.

State pupil transportation categorical aid is based upon a flat annual amount per transported student that was changed in the 2005-07 biennial budget. Payments are based upon the distance a student travels to school from home (see table below):

Distance Traveled (one way)	FY05 Rate Per Pupil (Full Year)	FY07 Rate Per Pupil (full year)	Proposed Rate Per Pupil 2007-09
0-2 miles (hazard areas)	\$12	\$15	\$15
2-5	\$30	\$35	\$35
5-8	\$45	\$55	\$55
8-12	\$60	\$110	\$110
12-plus miles	\$68-85	\$180	\$220

If the per pupil rate for 12-plus miles was increased to \$220, to the extent new state aid would cover costs currently incurred under revenue limits, districts would have funds “freed up” to use for other purposes (i.e. classroom).

During the 2005-06 school year, 419 (out of 426) districts received state aid for transporting 536,827 public school pupils and 45,513 private school pupils during the 2004-05 school year.

Using the state’s criteria for providing pupil transportation aid, state funding was prorated at roughly 97.6 percent of allowable transportation aid claims for 2005-06 (claims totaled \$21.5 million). It is estimated that as a result of the significant increase in state pupil transportation aid for FY07, this appropriation will be fully-funded for the first time in many years.

In addition, it is projected that the current transportation aid appropriation can absorb the estimated \$900,000 additional annual cost of the proposed increase to \$220 per pupil in both years of the next biennium.

Nonetheless, it is estimated that total school district transportation costs for transporting students to and from school (not including co- and extra-curricular transportation or transportation for children with disabilities) were approximately \$259.9 million in 2004-05. Thus, it could be argued state pupil transportation aid reimburses only roughly 10 percent of school district’s actual aidable transportation costs, though such costs are eligible to be aided through the state general equalization aid formula.

Recent significant increases in fuel costs have affected many areas of the nation’s economy, both for businesses and consumers. School districts are no exception to these rising costs and have statutory requirements to transport all eligible public and private school children who reside within their boundaries. The federal government estimates that the increase in the retail cost of gasoline and diesel fuel between January 2005 and January 2007 will be 28.4 percent and 28 percent, respectively.

Motor Fuel Tax Refund

In addition to providing additional direct transportation aid, the department also proposes a motor vehicle fuel tax refund for schools, similar to one contained in 2005 Assembly Bill 726. The refunds would also apply to a person/company that transports students to/from school activities under a contract with a school district.

AB 726 was introduced in October 2005 by Representative Ballweg (R). The department registered in support of the bill. The bill had a public hearing in November, and was recommended for passage as amended by the Committee on Urban and Local Affairs (ayes 8, noes 0). The bill was referred to the Joint Committee on Finance, but was not acted upon and died at the end of the 2005 legislative session.

The department estimated the fiscal effect of the bill, meaning fuel tax rebates, at approximately \$2 million annually. However, this estimate does not include the effect on motor fuel taxes paid by

companies or municipal bus services that are under contract with school districts (including Madison and Milwaukee) to transport pupils. The department does not have data to estimate the amount of motor fuel purchased by the contracted services.

Other states that have motor vehicle fuel rebate programs for schools include Iowa, Ohio, Michigan, and Kansas (possibly others).

Statutory Language

The department is proposing statutory language related to this request. See *Transportation Aid* in the Statutory Language section of this document.