
SENATE COMMITTEE ON EDUCATION

Senator Benjamin Allen, Chair

2017 - 2018 Regular

Bill No:	SB 527	Hearing Date:	March 29, 2017
Author:	Galgiani		
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Urgency:	No	Fiscal:	Yes
Consultant:	Ian Johnson		

Subject: Education Finance: School Transportation

SUMMARY

Beginning in 2018-19, this bill would provide an annual cost-of-living adjustment to the amount of funding that school districts and county offices of education receive from the Home-to-School Transportation (HTST) program.

BACKGROUND

Existing state law provides discretion to local educational agencies to determine for which students transportation services are appropriate. Federal law requires local educational agencies to provide transportation services for (1) students with disabilities, (2) students attending federally-sanctioned schools, and (3) homeless students.

In 2013, the Local Control Funding Formula (LCFF) was enacted. The LCFF establishes per-pupil funding targets, with adjustments for different student grade levels, and includes supplemental funding for local educational agencies serving students who are low-income, English learners, or foster youth. The LCFF replaced almost all sources of state funding for local educational agencies, including most categorical programs, with general purpose funding including few spending restrictions.

The HTST program is one of the few categorical programs remaining outside of the LCFF, with school districts and county offices of education continuing to receive their 2012-13 funding amounts each year in addition to their LCFF entitlements. The HTST funding amounts for school districts and county offices of education have been frozen since the early 1980s, therefore, a few school districts and all charter schools are excluded from receiving funding. State law requires school districts and county offices of education to continue spending HTST funding on pupil transportation. Unlike the state's previous funding approach to most categorical programs, the HTST program allocations do not currently receive annual cost-of-living adjustments.

ANALYSIS

Beginning in 2018-19, this bill would require that the HTST funding amount for school districts and county offices of education 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. The percentage change would 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.** Multiple comprehensive evaluations of the Home-to-School Transportation (HTST) program, by both the Legislative Analyst Office (LAO) and the Bureau of State Audits (BSA), have observed inequitable funding allocations and the need for improved cost coverage for local educational agencies. Some school districts see less than 10 percent reimbursement, while others receive over 80 percent of their approved costs. Based on data from the LAO report from 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 support instructional programs. This bill would apply an annual cost-of-living adjustment to the HTST program to ensure that school districts and county offices of education are no longer negatively impacted as costs of transportation services continue to rise.
- 2) **2016 Budget Act.** The 2016 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) **LAO 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, issued in February 2014, includes a description and assessment of the following programmatic options: (1) support pupil transportation services with discretionary funding within the Local Control Funding Formula (LCFF), (2) create a new, targeted program to help districts facing extraordinarily high transportation costs, or (3) create a broad-based program whereby the state pays a share of each district’s transportation costs.

While the general approach of each option differs, all contain some key advantages. Most notably, all three options would phase out the use of allocations linked to historical factors and apply the same funding rules to all local educational agencies, addressing key inequities with the state’s existing approach. Further, all 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 Home-to-School Transportation (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 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?*** Based on the HTST program's current funding level of \$496 million, and assuming a cost-of-living adjustment factor between one and two percent each year, annual costs created by this bill would be between \$5 million and \$10 million Proposition 98 General Fund.
- 6) ***California has long provided state funding to school districts for student transportation.*** The state created the first HTST program in 1947 by reimbursing school district transportation costs on a sliding scale, covering between 50 percent and 90 percent of costs. The first major funding change came in 1981, in part as a response to the passage of Proposition 13. At that time, the state froze funding allocations at prior year levels, provided cost-of-living adjustments to all districts, and gradually reduced allocations for districts failing to spend their entire allocation in each year. Legislation enacted in 1991 amended previous laws and created the current funding formula. This legislation required that, beginning in 1993–94, each school district receive a student transportation allowance equal to the lesser of its prior year HTST program allocation or actual approved transportation expenditures from that year, adjusted by attendance figures and cost-of-living changes as specified in the Budget Act. With the passage of the LCFF in 2013, the current HTST program is retained as a separate funding stream, with allocations frozen at 2012-13 levels.
- 7) ***Prior legislation.***

SB 497 (Vidak, 2015) would have required the California Department of Education to collect and post online pupil transportation data. This measure was vetoed by the Governor with the following message:

This bill requires the Department of Education to request and post on its website specific school transportation data from local entities that provide transportation services to students.

Current law does not prohibit the Department of Education from requesting or collecting, or locals from sharing school transportation information between interested parties that find it useful to compare data.

While well intended, I am unconvinced that this voluntary data collection would produce meaningful information or is a valuable use of limited resources at the local or state level.

For these reasons, I am unable to sign this bill.

SB 191 (Block, 2015) proposed to fund school districts at a minimum of 50 percent of approved transportation costs by 2021-22, thereby providing equalization funding for school districts that are reimbursed at less than 50 percent. SB 191 passed this Committee on March 18, 2015, but failed passage in the Assembly Appropriations Committee.

SB 1137 (Torres, 2014) 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 Education Committee.

SB 1166 (Vidak, 2014) would have required school districts to receive state reimbursement for the full cost of home-to-school transportation of pupils. SB 1166 failed passage in this Committee on April 9, 2014.

SUPPORT

California Association of Suburban School Districts
California School Boards Association (sponsor)
Central Valley Education Coalition
Kern County Superintendent of Schools
Orange County Department of Education
Public Advocates
San Bernardino County District Advocates for Better Schools

OPPOSITION

None received.

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