

BILL # SB 1234

TITLE: schools; transportation funding

SPONSOR: Arzberger

STATUS: As Introduced

PREPARED BY: Steve Schimpp

FISCAL ANALYSIS

Description

The bill would establish a new K-12 transportation funding formula. *Table 2* on page 3 summarizes differences between the current and proposed formulas.

Estimated Impact

The bill is estimated to increase General Fund costs by at least \$128,663,700 for FY 2008 depending on how it affects student participation rates in school transportation (*see Table 1*). The estimated \$128,663,700 cost includes an estimated \$139,908,600 increase for Basic State Aid (including a \$10,106,400 one-time increase) and an estimated \$(11,244,900) decrease for Additional State Aid (also one-time in nature).

The Arizona Department of Education (ADE) does not have a cost estimate for this proposal.

Analysis

Table 1 shows estimated costs for various parts of the K-12 transportation funding formula under SB 1234 versus current law based on currently available transportation funding data from ADE. Both sets of estimates assume 3.5% annual growth in overall route miles based on current trends. The SB 1234 column in *Table 1* also includes an additional one-time cost estimated at \$10,106,400 in FY 2008 for transitioning to current year (rather than prior year) funding of route miles. That estimate likewise is based on trend line data.

Table 1			
Estimated Fiscal Impact of SB 1234			
Formula Component	FY 2008 Cost (estimated)		
	SB 1234	Current Law	Difference
Current Year Route Miles			
(1-time cost to increase base miles)	\$ 10,106,400	\$ 0	\$ 10,106,400
“To and From School” Route Miles	294,002,900	187,186,200	106,816,800
Field Trip, Career & Technical			
Education & Athletic Miles	54,739,700	33,111,400	21,628,300
Higher Rate for Special Education			
Extended Year Miles	3,234,700	1,843,100	1,391,600
Bus Passes & Tokens	1,213,800	1,213,800	0
Non-formula Transportation Revenues	<u>(34,500)</u>	<u>0</u>	<u>(34,500)</u>
Basic State Aid Subtotal	\$363,263,000	\$223,354,500	\$139,908,600
Additional State Aid for TRCL (1-time)	\$ 0	\$11,244,900	<u>(11,244,900)</u>
Net State Change			\$128,663,700
Local TRCL Funding			<u>(39,825,600)</u>
Net Local Change			\$ 88,838,100

(Continued)

The SB 1234 estimates in *Table 1* assume a funding rate of \$3.50 per mile rather than the current rates of \$1.81 or \$2.23 per route mile for all route miles, with the exception of Special Education Extended School Year miles, which would be funded at \$3.75 per mile under the bill. They also assume that route miles for field trips, Career and Technical Education (CTE), and athletics would equal approximately 18% of “To and From School” route miles for each district. Data on the number of route miles generated from field trips, CTE, and athletics under current law are not available because they currently are funded not based on actual miles, but instead as prorated “add on” amounts equal to 10% - 30% (depending on the type of district, but averaging 18% statewide) of a district’s “To and From School” funding. The actual percentage that these “miscellaneous” miles would equal under the bill relative to “To and From School” miles is unknown.

Bus pass and token costs would not be affected by the bill. The bill, however, would begin deducting from the formula “anticipated transportation revenues from all other sources, including transportation revenues from other school districts for students for who tuition is charged to attend the school district.” *Table 1* shows an estimated deduction of \$(34,500) for this item, which is the amount that school districts reported to ADE for such revenues for FY 2006 (the first year that such revenues were reported).

It is possible that the \$(34,500) “other revenue” deduction assumed in this analysis is understated due to first-time reporting issues, which potentially could lower bill costs. Also potentially understated, but in the opposite direction and probably to a greater magnitude, however, is the assumed growth rate assumed for “To and From School” route miles under the bill. This assumed growth rate does not attempt to factor in (due to data limitations) a possible increase in the percent of students riding buses to and from school under the bill, which could occur because it would eliminate statutory language that currently restricts transportation funding to “eligible students” only (such as high school students living at least 1.5 miles from school). If substantial numbers of currently ineligible pupils began to receive transportation funding under the bill, its cost could be significantly higher than the \$128,663,700 estimate cited above. In order to increase bus ridership rates, however, most school districts probably would have to purchase additional buses, which would require additional capital funding not specified in the bill. In addition, most newly eligible students would live close to school, so could generate relatively few new route miles for their school district.

Local Government Impact

The bill would increase net funding to school districts statewide by an estimated \$88,838,100 in FY 2008. This would include an estimated \$128,663,700 increase in state funding and a \$(39,825,600) reduction in local property tax funding. Local property taxes therefore would decrease by an estimated \$(39,825,600) under the bill.

The fiscal impact of the bill on individual school would vary widely depending on whether they currently receive the higher (\$2.23) or lower (\$1.81) funding rate per route mile and, more importantly, on the amount of TRCL funding that they receive from local property taxes. Although TSL funding for most school districts would increase substantially under the bill, that increase would not be sufficient to offset the loss of TRCL funding for all districts.

Table 2

SB 1234 Changes to Current K-12 Transportation Funding Formula

<u>Formula Component</u>	<u>Current Formula</u>	<u>SB 1234</u>
“To and From School” Route Miles	Funded at either \$1.81 or \$2.23 per route mile (FY 2008 JLBC Baseline amounts) depending on a district’s average route miles per eligible student	All districts receive \$3.50 per route mile
Route Miles for Field Trips, Career & Technical Education & Athletics	Funded at 10% to 30% of a district’s funding level for “to and from school” route miles, depending on the type of district and a district’s average route miles per eligible student	All districts receive \$3.50 per route mile
Special Education Extended Year Miles	Funded at either \$1.81 or \$2.23 per route mile (FY 2008 JLBC Baseline amounts) depending on a district’s average route miles per eligible student	All districts receive \$3.75 per route mile
Eligible students	Statutory definition mainly excludes K-8 students who live less than 1 mile from school, 9-12 students who live less than 1.5 miles from school, and students transported by other districts	No eligibility restrictions, but overall formula deducts transportation funding from other sources, such as for students from other districts for whom tuition is paid
Current Year / Prior Year	Route miles funded on a <i>prior</i> year basis (miles generated in FY 2007 serve as basis for funding in FY 2008)	Route miles funded on a <i>current</i> year basis (miles generated in FY 2008 serve as basis for funding in FY 2008)
Transportation Revenue Control Limit (TRCL)	If “Transportation Revenue Control Limit” (TRCL) is higher than “Transportation Support Level” (TSL), district can fund the difference with local property taxes	TRCL funding eliminated