LESC Study of the Transportation Distribution

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LESC

State Equalization Guarantee (SEG)

“Above-the-Line”
“Operational”
“In the classroom”

Categorical Funding

“Middle-of-the-line”

25	Fixed Costs	5,638.7	5,191.4
26	Feminine Hygiene Products		2,000.0
27	Mentorship and Professional Development	10,000.0	
28	**Subtotal Current Year Program Cost Base**	**3,684,078.0**	**3,976,002.1**
29	**$ Change from OpBud**	**388,629.4**	**291,924.1**
30	**% Change from OpBud**	**11.8%**	**7.9%**
31	**STATE EQUALIZATION GUARANTEE (SEG)**		
32	**Prior Year SEG OpBud**	**3,288,448.6**	**3,673,711.4**
33	Program Cost Changes	395,629.4	302,290.7
34	Less: Other State Funds	(10,366.6)	(7,000.0)
35	**Subtotal SEG Base**	**3,673,711.4**	**3,969,002.1**
36	**$ Change from OpBud**	**385,262.8**	**295,290.7**
37	**% Change from OpBud**	**11.7%**	**8.0%**
38	**CATEGORICAL APPROPRIATIONS**		
39	TRANSPORTATION DISTRIBUTION		
40	Maintenance and Operations	87,455.9	98,124.7
41	Fuel	11,750.6	13,184.1
42	Rental Fees	7,841.6	8,798.2
43	Transportation for Extended Learning Time	3,175.6	4,061.0
44	Transportation for K-5 Plus	899.2	
45	Compensation Increase for Transportation Personnel (FY23: 7%, FY24: 5%)	3,548.3	2,211.5
46	Supplemental Salary Increase (1%, SB521)		442.3
47	**Subtotal Transportation Distribution**	**114,671.2**	**126,821.8**
48	**$ Change from OpBud**	**7,615.0**	**12,150.6**
49	**% Change from OpBud**	**7.1%**	**10.6%**

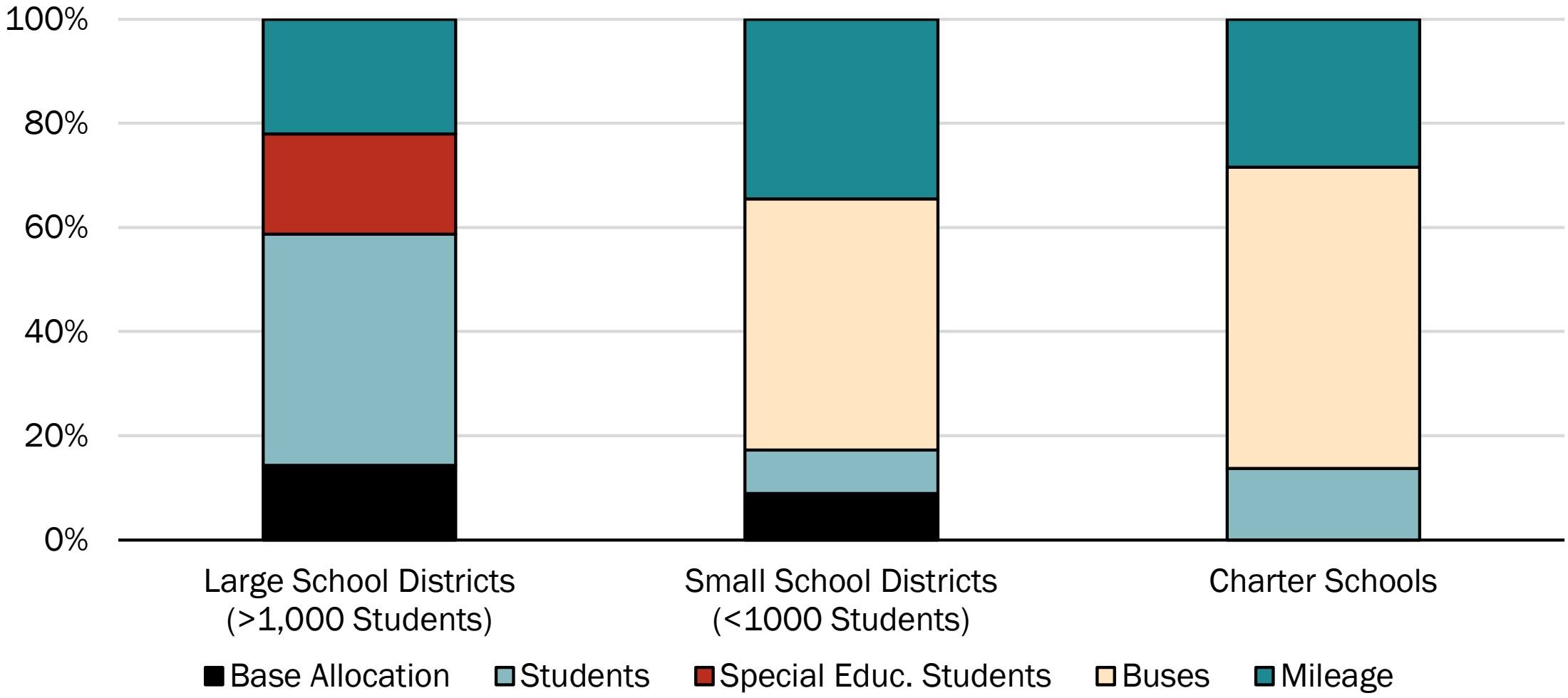
Table 1. Transportation Distribution Formula Multipliers Over Time

Variable Type	FY17	FY18	FY19	FY20	FY21	FY22	FY23
Per Student Rate (Large Districts)	$1.39	$1.05	$1.54	$1.37	$1.50	$1.50	$1.50
Per Student Rate (Small Districts/Charters)	$0.48	**$1.69**	**$0.38**	**$1.23**	$0.67	$0.67	$0.67
Student Special Education Rate	$4.48	**$9.83**	$8.46	$10.74	$15.64	$15.65	$15.65
Bus Rate	$133.24	$72.37	$119.07	$94.71	**$142.77**	$142.77	$142.77
Mileage Rate (Large Districts)	$1.23	$1.00	$0.68	$0.79	$0.71	$0.71	$0.71
Mileage Rate (Small Districts/Charters)	$1.31	$1.41	$1.12	$1.44	$1.10	$1.10	$1.10
Population Density Reduction	($11,073)	($8,979)	**($18,411)**	($11,657)	**($25,558)**	($25,558)	($25,558)
Base Allocation (Large Districts)	$215,496	$309,263	$203,421	**$315,032**	$326,218	$326,218	$326,218
Base Allocation (Small Districts)	$24,895	$15,652	$15,827	$10,521	**$21,669**	$21,669	$21,669

Note: Cells highlighted in gray denote a change of more than 50 percent from previous year. Source: LESC Files

Figure 1. Contribution of Site Characteristics to Transportation Funding

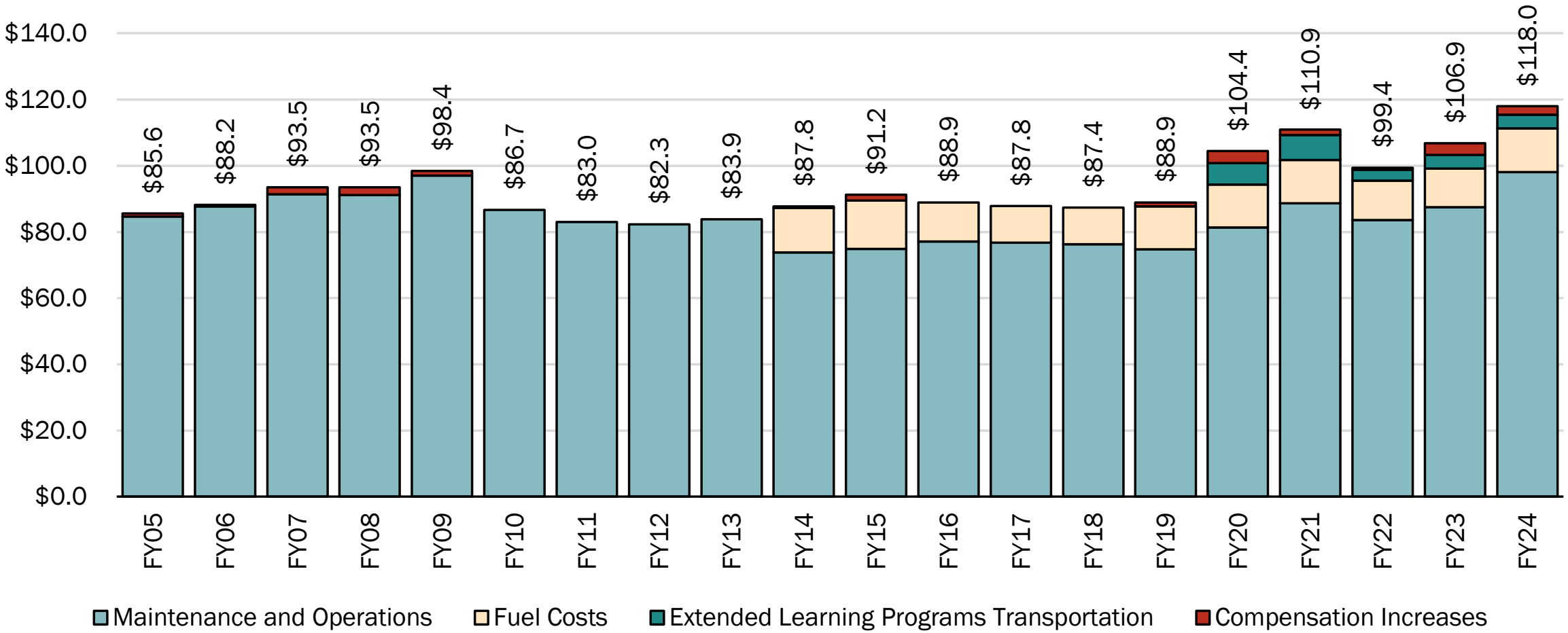
(FY23)



Source: LESC Files

Figure 2. Appropriations to the Transporation Distribution

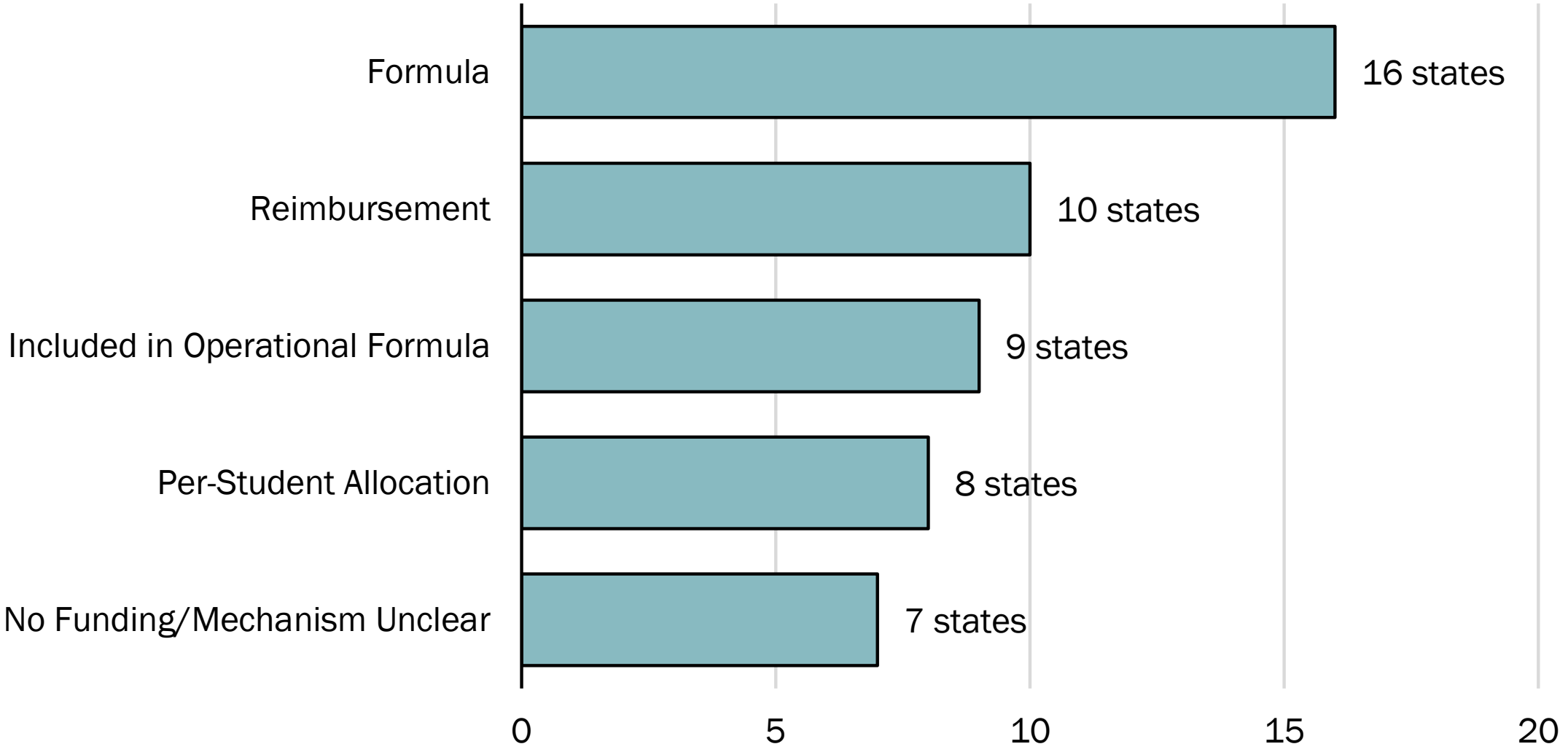
(in millions)



Note: This chart excludes funds set aside for rental fees for contractor-owned school buses, which are not distributed to school districts. The FY18, FY19, and FY20 operational amounts include funds appropriated from the public school capital outlay fund: $14.5 million in FY18, 2.5 million in FY19, and $25 million in FY20.

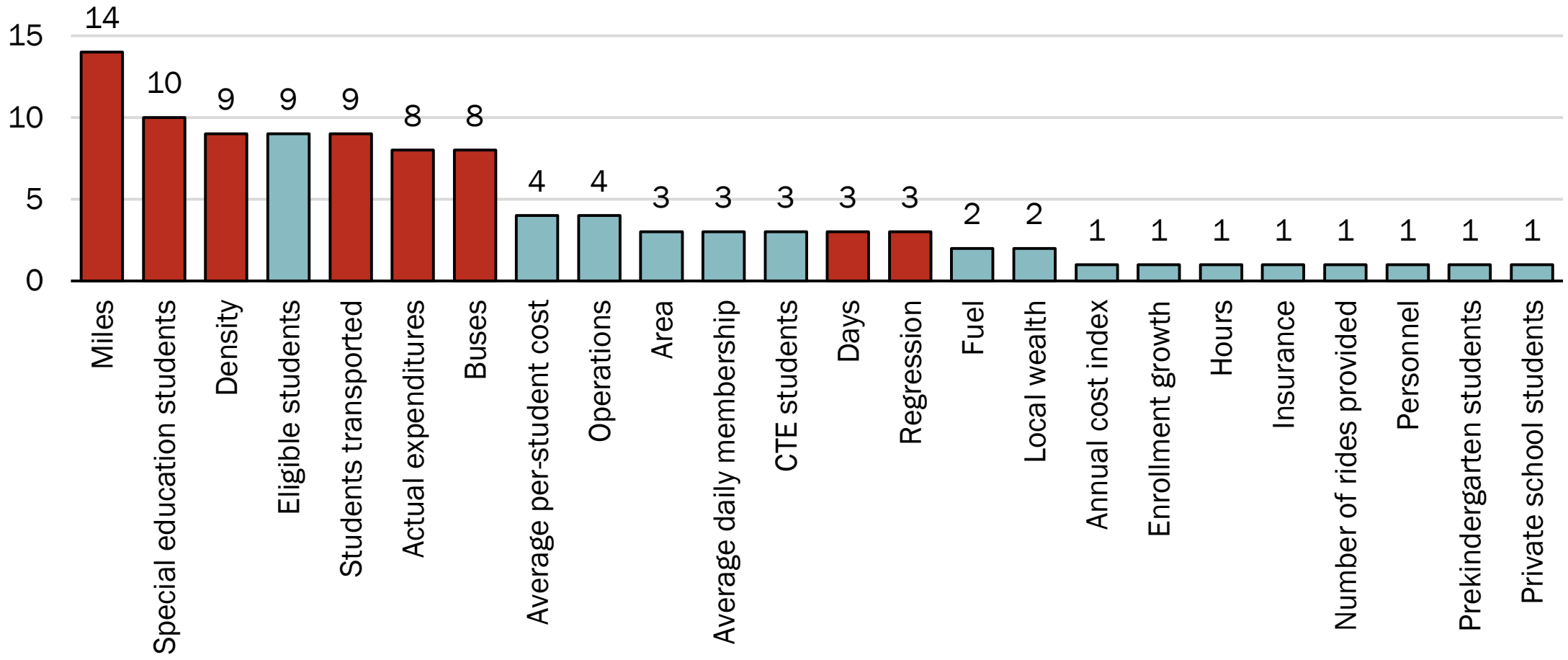
Source: LESC Files

Figure 3. Summary of State Mechanisms for Transportation Funding



Source: LESC Files

Figure 4. Factors Considered in Other State Transportation Funding Systems



Note: Bars in red indicate the factor is considered in New Mexico's transportation distribution

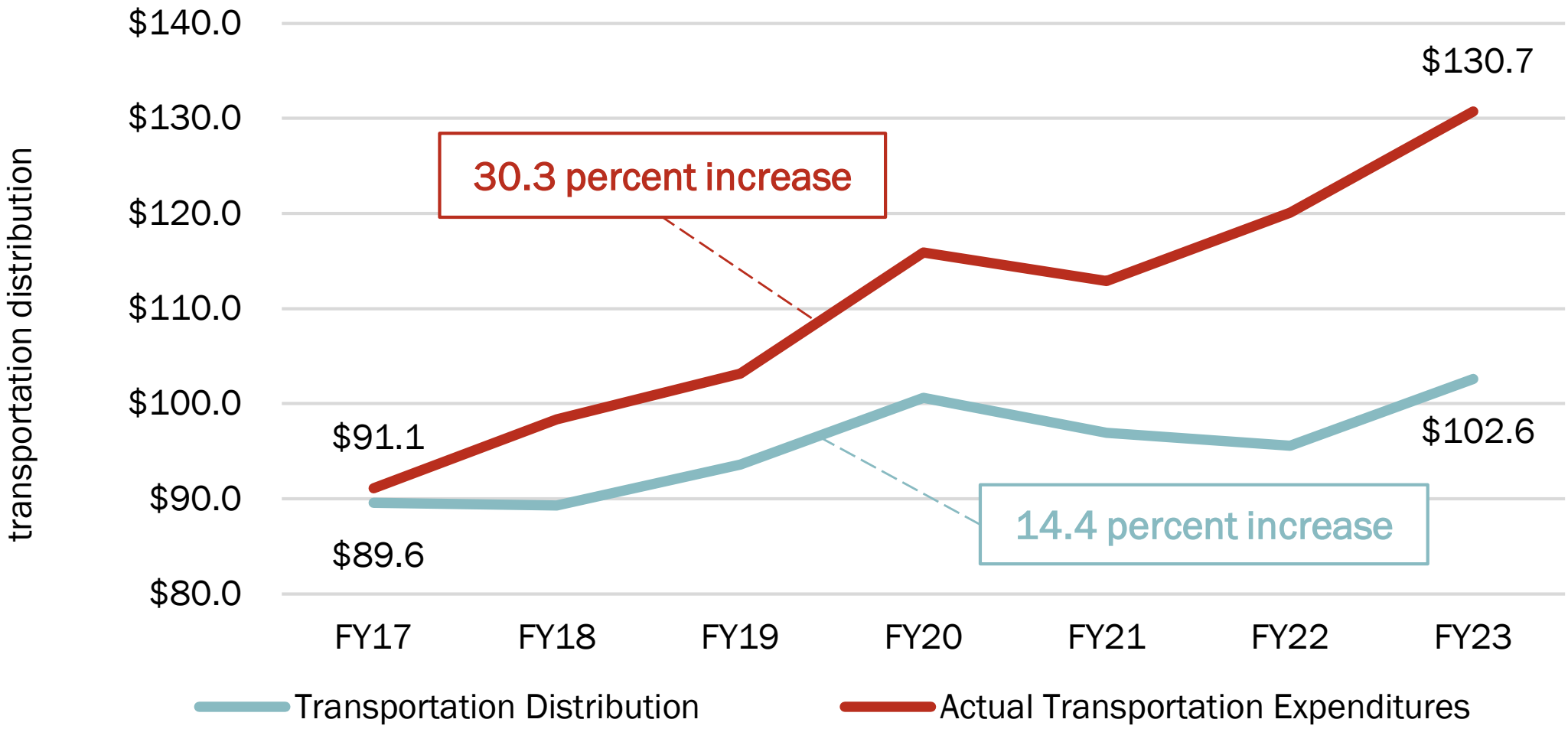
Source: LESC Files

Research Question 1:

Does the Transportation Distribution provide a***dequate*** funding for school transportation?

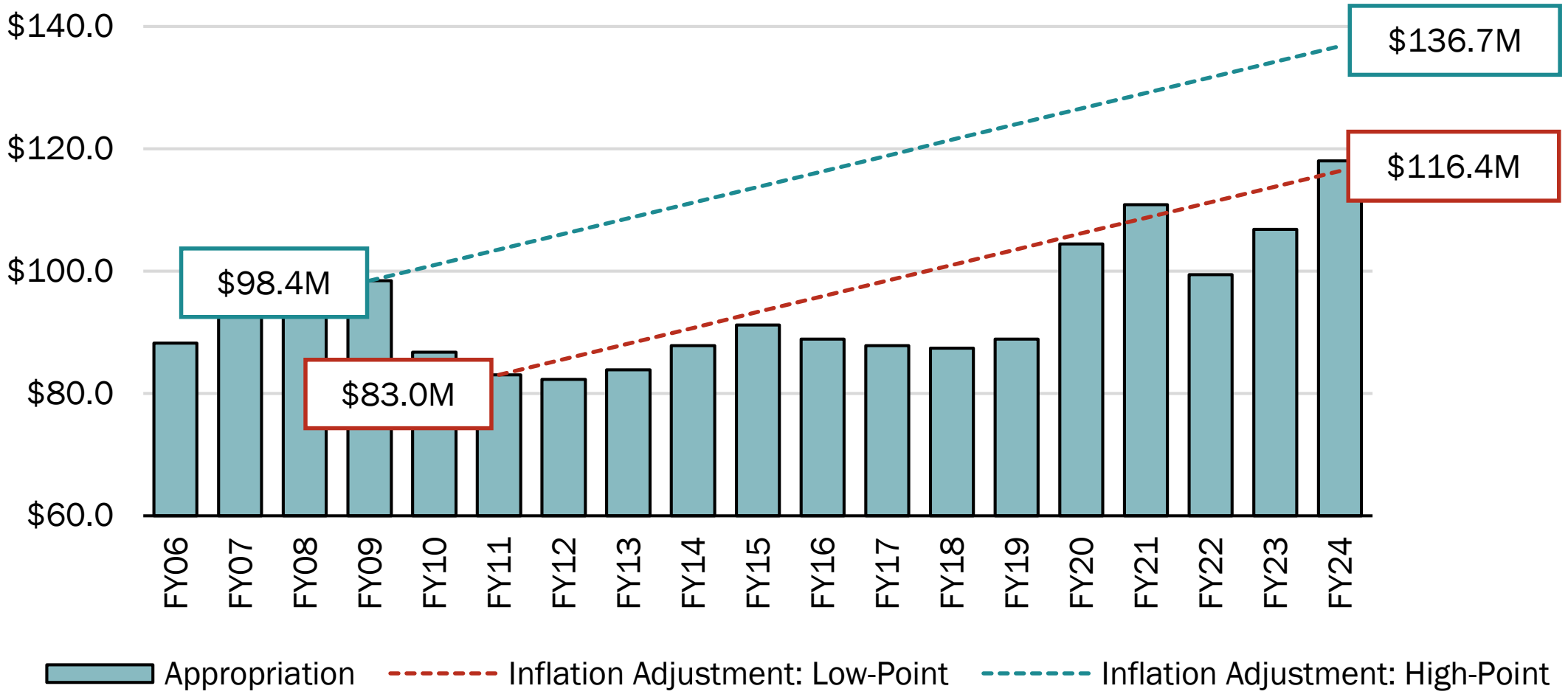
Figure 5. Transportation Allocations and Actual Expenditures

(in millions)



Source: LESC Analysis

Figure 6. Transportation Distribution and Inflation Adjustments



Source: LESC Files and Bureau of Labor Statistics

Research Question 2:

Does the Transportation Distribution provide *equitable* funding for school transportation?

Expenditure-to-allocation ratio:

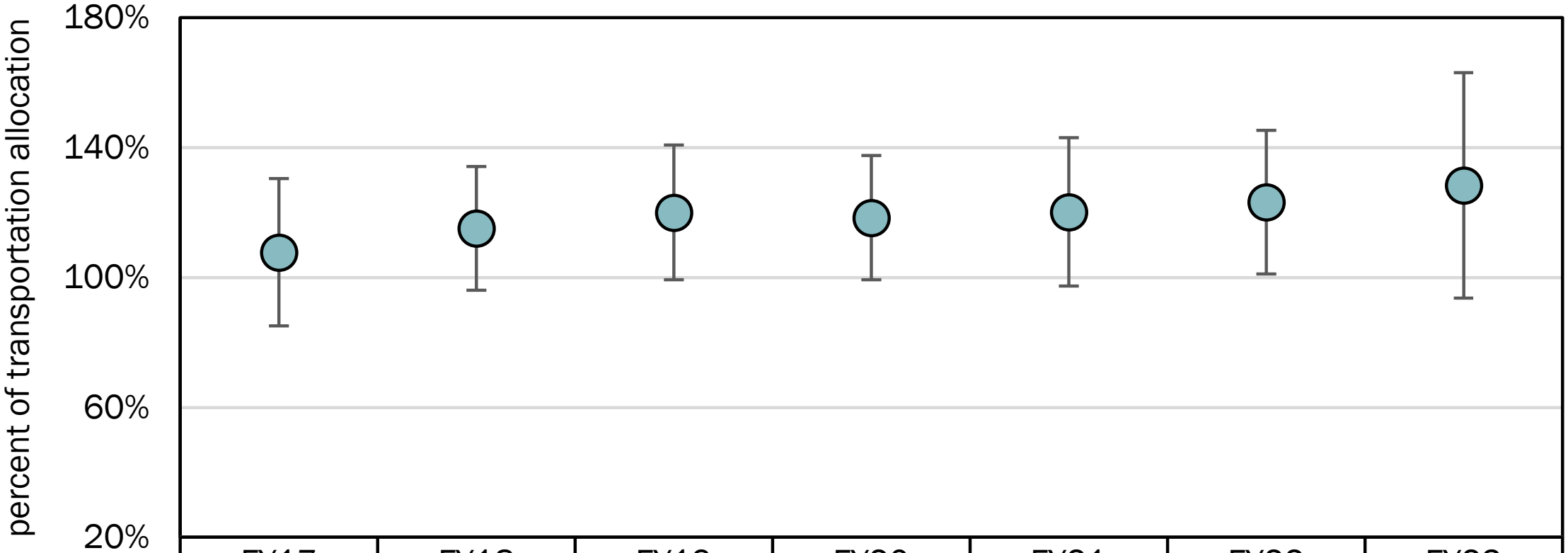
$$\frac{\textbf{Transportation Expenditures}\ \text{(from transportation and operational funds)}}{\textbf{Transportation Allocation}}$$

Expenditure-to-allocation ratio (in English):

$$\frac{\text{What the LEA spent on transportation}}{\text{What the LEA received for transportation}}$$


150% = Funding Deficit
(LEA spent 150% of what they received)
100% = Right Sized
(LEA spent exactly what they received)
Too Hot
Too Cold
Just Right
80% = Funding Surplus
(LEA spent 80% of what they received)

Figure 7. Average Transportation Expenditures as a Percent of Transportation Allocations



	FY17	FY18	FY19	FY20	FY21	FY22	FY23
Average	108%	115%	120%	118%	120%	123%	128%
Std. Dev.	23%	19%	21%	19%	23%	22%	35%

Source: LESC Analysis

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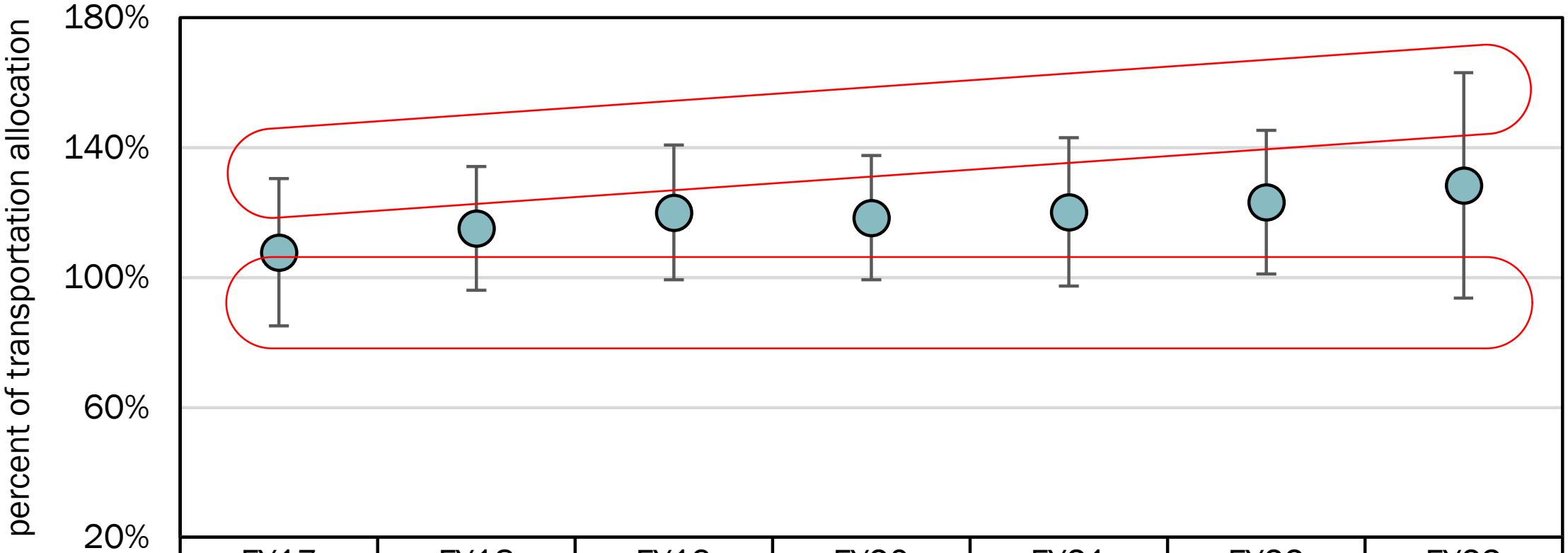

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Average	108%	115%	120%	118%	120%	123%	128%
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Source: LESC Analysis

Table 2. Average Site Characteristics in LEAs Receiving Adequate Funding

(FY17-FY23)

	Name	Model Type	Enrollment	Student Ridership	Sp. Ed. Ridership	Buses	Density	Total Miles Traveled	Days	
1	BLOOMFIELD	Large Dist	2,792.6	1,658.3	47.1	20.3	1.10	343,689.4	177.0	1
2	CIMARRON	Small Dist	422.1	204.7	1.6	7.0	0.14	185,413.9	149.0	2
3	FARMINGTON	Large Dist	11,210.1	5,588.0	256.2	66.9	6.94	1,146,636.4	179.6	3
4	FLOYD	Small Dist	207.4	137.6	-	3.0	0.32	25,411.0	151.0	4
5	HONDO	Small Dist	136.2	117.2	-	5.0	0.09	47,529.0	144.0	5
6	LAKE ARTHUR	Small Dist	97.4	25.7	-	1.6	0.06	24,887.1	178.8	6
7	MAXWELL	Small Dist	117.7	20.1	0.6	1.0	0.06	18,796.2	147.0	7
8	MOSQUERO	Small Dist	55.7	27.3	0.6	2.0	0.02	76,919.3	144.0	8
9	ROY	Small Dist	52.0	28.0	-	1.9	0.04	44,282.1	145.0	9
10	SW AERO, MATH & SCI	Charter	265.3	128.9	-	3.0	0.11	61,309.7	176.8	10
11	SANTA FE	Large Dist	14,138.2	8,174.6	255.1	73.9	8.05	1,030,262.0	176.8	11
12	SOCORRO	Large Dist	1,626.5	857.7	20.1	13.0	0.33	154,164.6	175.0	12
13	SPRINGER	Small Dist	137.6	84.7	0.4	2.8	0.08	23,390.5	147.5	13
14	TATUM	Small Dist	336.3	76.3	1.3	5.6	0.06	103,975.7	155.3	14
15	TUCUMCARI	Small Dist	924.8	261.5	19.6	5.9	0.26	71,935.9	150.0	15
16	VAUGHN	Small Dist	63.0	29.1	0.6	2.1	0.02	13,021.9	150.0	16
17	WAGON MOUND	Small Dist	62.7	29.6	-	2.0	0.03	39,800.5	149.1	17
	Median Site Characteristics		**207.4**	**117.2**	**0.6**	**3.0**	**0.09**	**61,309.7**	**150.0**	

Note: Given the size of the school district, site characteristics highlighted in gray do not count toward districts' allocations.

Source: LESC Analysis

Table 3. Average Site Characteristics in LEAs Receiving Inadequate Funding

(FY17-FY23)

	Name	Model Type	Enrollment	Student Ridership	Sp. Ed. Ridership	Buses	Density	Total Miles Traveled	Days	
1	DEMING	Large Dist	5,223.4	2,822.3	122.6	47.0	0.95	586,009.0	175.0	1
2	GADSDEN	Large Dist	12,969.8	9,670.8	332.5	84.6	7.40	1,569,930.4	172.0	2
3	HAGERMAN	Small Dist	414.6	304.4	14.0	5.0	0.76	45,074.4	179.0	3
4	LAS CRUCES	Large Dist	24,414.7	7,032.5	487.2	125.0	4.83	1,586,753.9	174.4	4
5	LORDSBURG	Small Dist	470.8	373.6	1.5	6.4	0.33	62,257.0	162.1	5
6	LOS LUNAS	Large Dist	8,208.9	4,705.9	137.8	61.4	7.03	873,354.0	176.0	6
7	RIO RANCHO	Large Dist	17,295.9	7,540.1	378.8	67.4	48.03	1,054,895.2	176.6	7
	District Median Site Characteristics		**8,208.9**	**4,705.9**	**137.8**	**61.4**	**4.8**	**873,354.0**	**175.0**	
8	ABQ SIGN LANGUAGE ACADEMY	Charter	99.3	32.9	40.1	5.4	0.03	86,494.3	181.6	8
9	EXPLORE ACADEMY CHARTER	Charter	379.9	168.3	-	5.4	0.14	61,186.5	175.8	9
10	LA PROMESA CHARTER SCHOOL	Charter	372.2	125.4	-	2.0	0.11	11,294.6	176.9	10
11	LA TIERRA MONTESSORI	Charter	95.1	42.8	-	1.0	0.06	9,389.0	169.3	11
12	MISSION ACH. & SUCCESS	Charter	847.8	209.9	-	3.2	0.18	23,647.7	178.7	12
13	MONTE DEL SOL	Charter	348.9	97.1	0.2	4.4	0.10	47,411.7	172.4	13
14	S.W. SECONDARY	Charter	427.9	29.4	-	1.0	0.02	14,794.5	176.1	14
15	SCHOOL OF DREAMS	Charter	449.3	95.8	9.4	2.6	0.14	50,591.0	176.5	15
16	TIERRA ENCANTADA	Charter	298.9	54.4	-	1.0	0.05	6,650.0	155.5	16
	Charter Median Site Characteristics		**372.2**	**95.8**	**-**	**2.6**	**0.1**	**23,647.7**	**176.1**	

Note: Given the size of the school district, site characteristics highlighted in gray do not count toward districts' allocations.

Source: LESC Analysis

Table 4. Ordinary Least Squares Regression Results Regarding Effects of Site Characteristics on Inadequate of Funding

	Large School Districts			Small School Districts and Charter Schools		
	Coefficient	Sig.	Error	Coefficient	Sig.	Error
Intercept	**1.65**	***	**(0.48)**	**0.51**	**	**(0.15)**
Student Ridership (1,000s)	**-0.048**	***	**(0.012)**	-0.127		(0.124)
Special Education Students	**0.0006**	***	**(0.0002)**			
Density	**0.004**	**	**(0.005)**			
Buses				-0.004		(0.006)
Miles Traveled (1,000s)	**0.0001**	*	**(0.00003)**	0.0001		(0.0003)
Days	0.002	*	(0.0009)	**0.005**	***	(0.0009)
R^2	0.09			0.07		
Adjusted R^2	0.08			0.06		
N.	259			470		

Note: Statisitical significance denoted by p-values. *** p < 0.001; ** p < 0.01; * p < 0.05 Source: LESC Files

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R^2	0.09			0.07		
Adjusted R^2	0.08			0.06		
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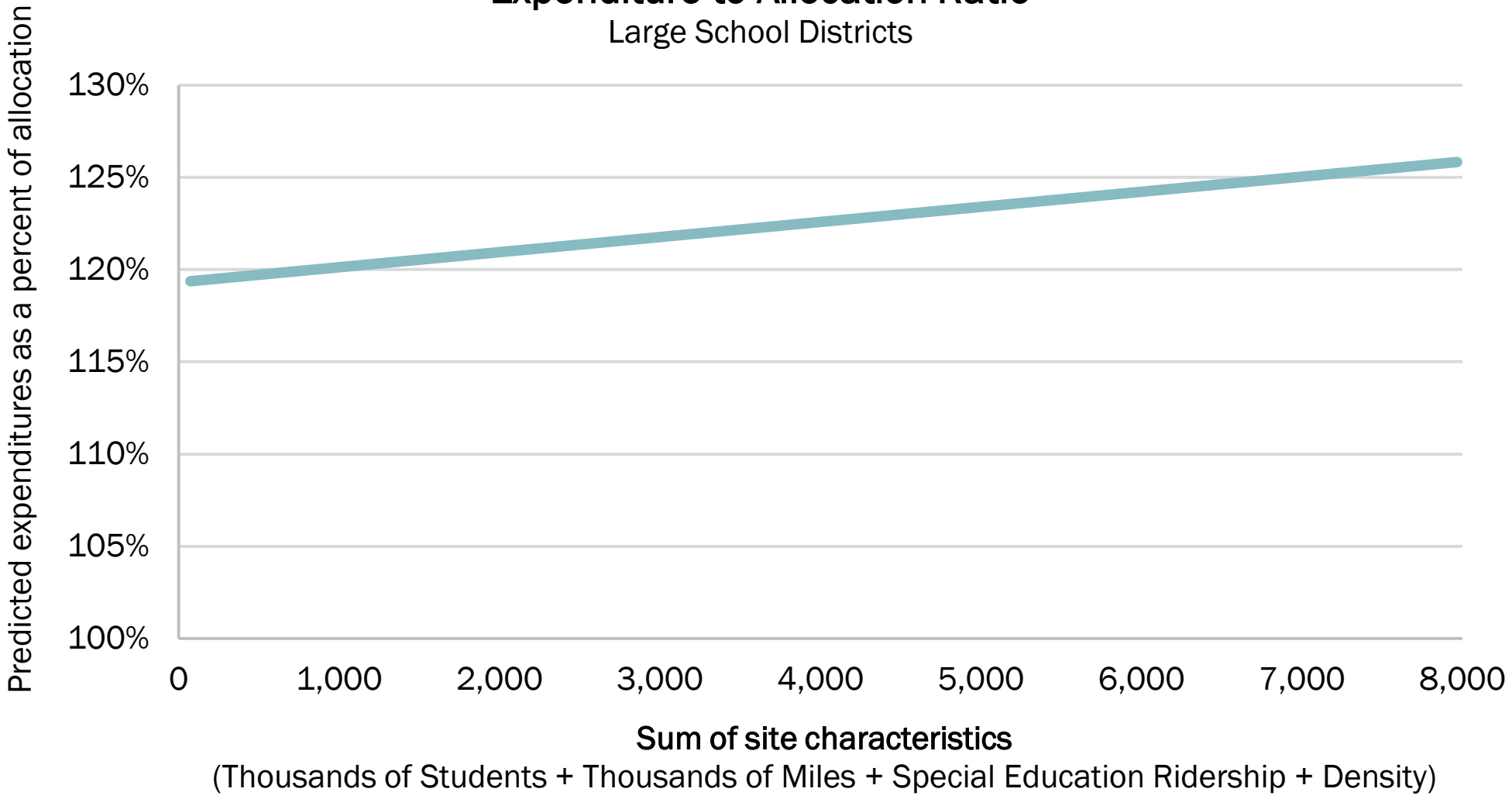
Figure 8. Cumulative Effect of Site Characteristics on Expenditure-to-Allocation Ratio

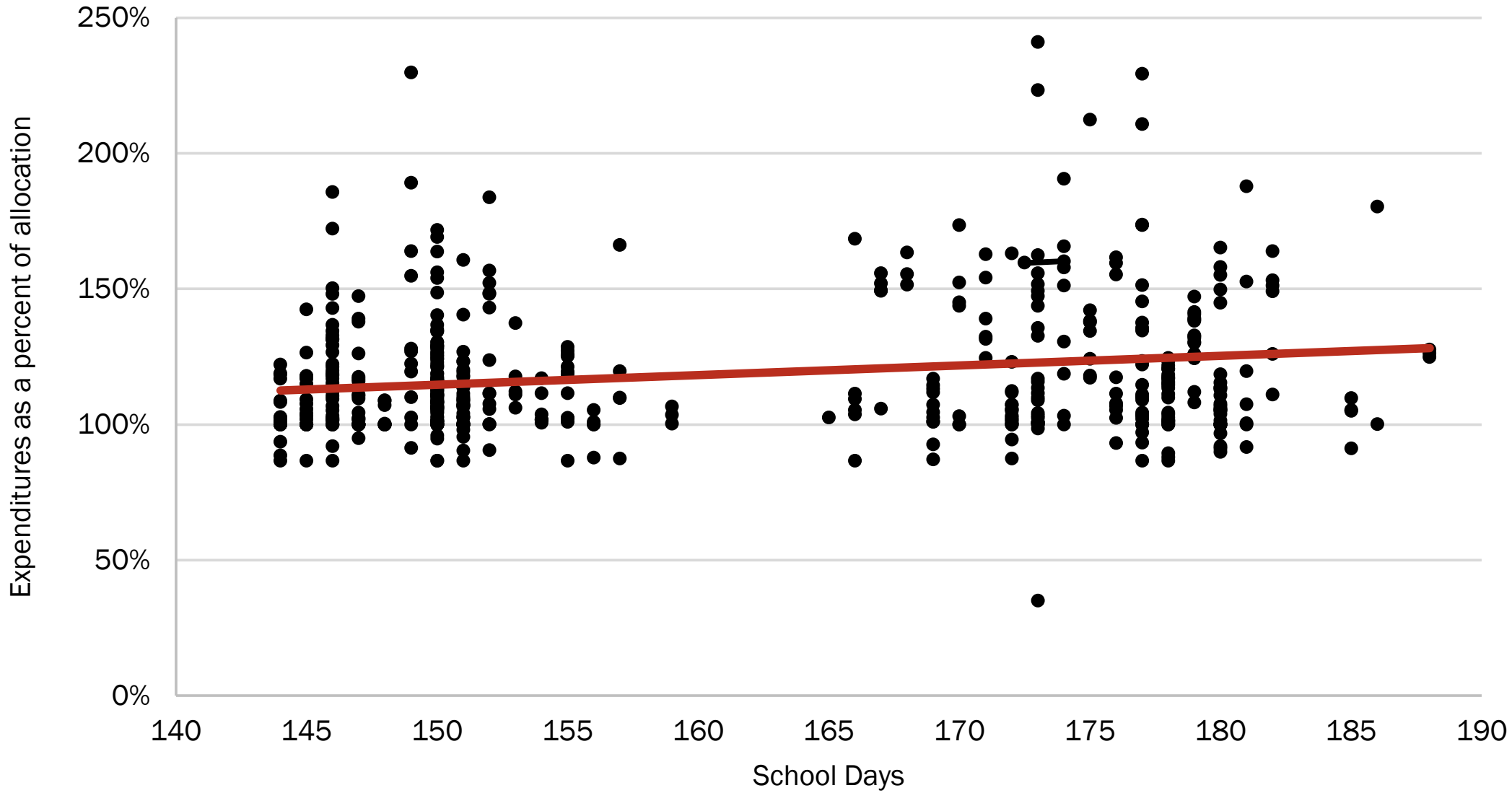
Large School Districts



Source: LESC Analysis

Figure 9. Effect of School Days on Expenditure to Allocation Ratio

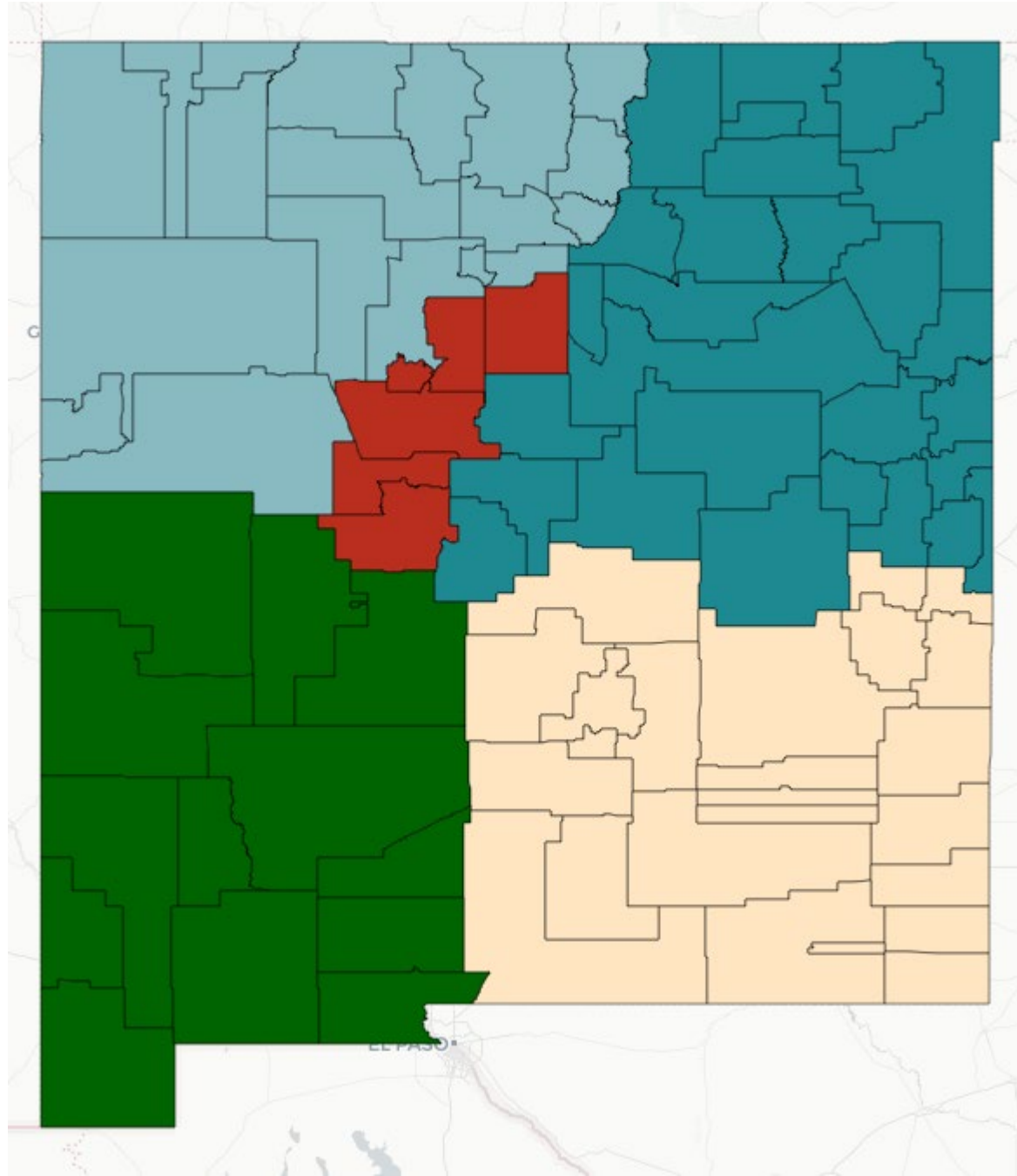
Small School Districts and Charter Schools



Source: LESC Analysis

Research Question 3:

How do school districts and charter schools build a budget for school transportation?


EL PASO

Recommendation: Increase the legislative appropriation to the transportation distribution to between $130 million and $135 million

Rationale:

- The appropriation to the transportation distribution was cut during the Great Recession and never recovered to pre-recession levels (**p. 10-11**).

- On average, school districts spend more on transportation than they receive from the transportation distribution (**p. 12**).

Specific Mechanism: Include a line item in the LESC Budget Recommendation for the transportation distribution for a one-time inflation adjustment, bringing the total distribution to at least $130 million.

Estimated Cost: $12 million to $17 million.

Summary of Impact: Additional funding for all LEAs. Potential overfunding of small school districts if the formula is not adjusted in other ways.

Recommendation: Remove the density factor from the transportation distribution

Rationale:

- Large, dense school districts spend proportionally more operational funds to supplement their transportation program than small, sparse school districts (**p. 12-13**).

- The density factor has a statistically significant impact on the extent to which large school districts are underfunded (**p. 14-15**).

Specific Mechanism: Amend statute to require that PED no longer consider density in the calculation of transportation allocations. Include funding in the transportation distribution to offset the removal of the factor, holding LEAs harmless from the removal of the factor.

Estimated Cost: $5 million.

Summary of Impact: More funding for large, dense districts. No change for small, sparse districts.

Recommendation: Use eligible ridership rather than actual ridership to calculate transportation distributions.

Rationale:

- Actual ridership counts collected on two days per year are subject to fluctuations. School bus routes require service regardless of how many students board the bus (**p. 17**).

Specific Mechanism: Amend statute to require that the transportation distribution be based on eligible ridership, rather than actual ridership on the second and third reporting dates.

Estimated Cost: Cost neutral.

Summary of Impact: The per-student rate in the transportation allocation will shift downward to accommodate the greater number of students in the calculation. The exact impact is indeterminate, but if accompanied by additional funding, would likely not produce negative impacts.

Recommendation: Establish a statutory transportation formula to create a more stable funding mechanism for school transportation.

Rationale:

- The current transportation distribution is complicated, resulting in confusion about how funds are allocated (**p. 3**).
- The use of an annual regression causes year-over-year swings in multipliers, and thus, year-over-year swings in funding (**p. 3-4**).
- Unlike other states that use regression models, PED may base transportation allocations on factors that are not statistically significant (**p. 7-8**).
- Site characteristics used to calculate transportation allocations have a statistically significant impact on funding disparities between large school districts, small school districts, and charter schools. (**p. 14-15**)

Specific Mechanisms:

- ***Option 1***: Use any or all existing site characteristics, but establish statutory multipliers.
- ***Option 2***: Establish new site characteristics based on the costs of providing high-quality transportation services, such as students-per-bus or average time spent on buses.

Estimated Cost: Cost depends on factors codified in statute. A new formula could be achieved under current funding, but would be more feasible with an increase of $12 million to $17 million.

Summary of Impact: If accompanied by additional funding, a new formula could result in right-sized allocations for all LEAs.

Recommendation: Allow state funds to be used for every aspect of school transportation programs, including the cost of transportation to career and technical education (CTE) program sites, extracurricular activities, after school activities, and services for McKinney-Vento students.

Rationale:

- More students are chronically absent than ever before (LESC Analysis).
- CTE programs and extracurricular activities can help students take ownership of their educational journeys, improving their engagement (LESC Analysis).
- Some states provide funding for transportation to CTE sites and extracurricular activities. (**pg. 7, Appendix 3**).

Specific Mechanism: Amend statute to allow LEAs to use transportation distribution funds for transportation to CTE program sites, extracurricular activities, and other out-of-school time programs.

Estimated Cost: Indeterminate; likely close to $12 million to $17 million, the cost of actual expenditures in recent years.

Summary of Impact: Additional funds for all LEAs.

Recommendation: Provide LEAs with funding to cover the cost of CDL acquisition for new drivers.

Rationale:

- Almost every school district is experiencing a bus driver shortage, driven by higher wages for drivers with CDLs in the private sector (**p. 16**).

- The residency and grow-your-own models have proven effective for recruiting and retaining educators, and may be effective for other aspects of school administration (**LESC Analysis**).

Specific Mechanism: Flow funds through the state equalization guarantee, the transportation distribution, or a nonrecurring below-the-line appropriation to PED.

Estimated Cost: Roughly $4,000 to $12,000 per CDL,

Summary of Impact: Additional funds for all LEAs.

Other Policy Options and Considerations

- Clean and consolidate statutes for transportation programs
- Fund transportation based on a full or partial reimbursement model
- Build a funding mechanism for electric school buses
- Fund other transportation capital needs