

Date: June 23, 2021

Prepared By: Bedeaux

Purpose: Evaluate ongoing issues in public school transportation funding.

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Expected Outcome: Improve equity, adequacy, and simplicity of New Mexico's transportation funding mechanisms.

Public School Transportation: Funding Formula and Other Issues

For decades, the Legislature has funded school district and charter school transportation expenditures separately from their operational funding pool, representing a commitment by the state to remove barriers to students' education by providing transportation to and from school at no cost to families. However, New Mexico's piecemeal approach to public school transportation has created a fragmented and complicated formula that may not be aligned to actual school district needs. In 2012, the LESC created a public school transportation subcommittee to address these issues. However, nearly a decade later, the state has only implemented a few of the subcommittee's recommendations. Despite an LESC hearing reintroducing the subcommittee's recommendations in 2019, the Legislature still has not taken action on outstanding transportation issues.

As students return to in-person instruction in the 2021-2022 school year, the Public Education Department (PED) has expressed an interest in reforming the state's system of transportation funding. Policymakers are poised to tackle transportation funding in the upcoming interim to ensure school district transportation allocations are simple, elegant, equitable, and sufficient to cover transportation programs, especially those that are reasonably priced but struggle to find adequate funding.

Consistent Transportation Funding

New Mexico's statutes broadly provide for a formula to allocate transportation funding to school districts and state-chartered charter schools, but PED has extensive flexibility to set the factors used to make those allocations. Statute gives the department the authority

Executive Summary and Key Takeaways

As LESC decides whether it should authorize a transportation subcommittee in the 2021 legislative interim, the committee should consider the following findings detailed throughout this report:

The transportation funding formula differentiates between large school districts, small school districts, and state-chartered charter schools but it does not do so in a sophisticated manner. While it's likely that small and large school districts have different transportation needs, every school district should be eligible to receive funding for the special education students they serve and the number of buses they operate. More meaningful predictors of transportation costs, including population density, miles traveled, and road conditions, may better right-size transportation allocations.

Transportation formula factors, including base allocations, per-student rates, per-bus rates, and per-mile rates, fluctuate significantly each year in a seemingly random fashion. As a result, the amount of funding generated by a specific formula factor could double or triple in one year and be cut in half the next. It is unlikely the actual cost of transportation changes this significantly. Moreover, it is unclear how PED determines funding rates annually. Large fluctuations in formula funding make it difficult for school districts to budget effectively.

Some school districts and state-chartered charter schools generate too much transportation funding, while others rely on operational funding to afford the cost of their transportation programs. Little work has been done to understand whether school districts are spending their transportation funding reasonably, but evidence from school budgets suggest a few school districts rely on operational funding to get by while others have trouble spending all of their funds in a year.

New Mexico's system of school bus replacement is complicated and inconsistent. While private school bus contractors are guaranteed an annual bus replacement allocation from the general fund, school districts rely on a capital outlay appropriation that is sometimes cut when revenues become scarce. When the Legislature falls behind with replacements and makes a large investment to "catch up," it creates a ticking time-bomb of buses that will need to be replaced at the same time due to the state's statutory 12-year replacement cycle.

to decide what factors should be funded each year and how those factors should be weighted. In practice, this system results in an imbalance between three separate formulas PED manages: one for school districts with 1,000 or more students, a second for school districts with fewer than 1,000 students, and a third for state-chartered charter schools. PED's ability to set weights for each variable every year can result in significant swings in year-over-year allocations to school districts and state-chartered charter schools.

Section 22-8-29.1 NMSA 1978: Calculation of transportation allocation.

...

B. The department shall calculate the transportation allocation for each school district and state-chartered charter school.

C. The base amount is designated as product A. Product A is the constant calculated by regressing the total operations expenditures from the two years prior to the current school year for school district or state-chartered charter school operations using the numerical value of site characteristics approved by the department. The legislative education study committee and the legislative finance committee may review the site characteristics developed by the state transportation director prior to approval by the department.

D. The variable amount is designated as product B. Product B is the predicted additional expenditures for each school district or state-chartered charter school based on the regression analysis using the site characteristics as predictor variables multiplied by the number of days.

E. The allocation to each school district and state-chartered charter school shall be equal to product A plus product B.

Statutory Framework for School Transportation Allocations

Signed into law in 1999, Section 22-8-29.1 NMSA 1978 gives PED the authority to make annual transportation allocations to school districts and state-chartered charter schools. Statute defines a complicated formula the department is responsible for executing each year. The law lists several key phrases the department considers when operationalizing the formula. For instance, PED considers prior operational expenditures when calculating the base allocation to school districts and state-chartered charter schools. Additionally, the department has defined several site characteristics which factor into the calculation of school district and state-chartered charter school transportation allocations, including the following:

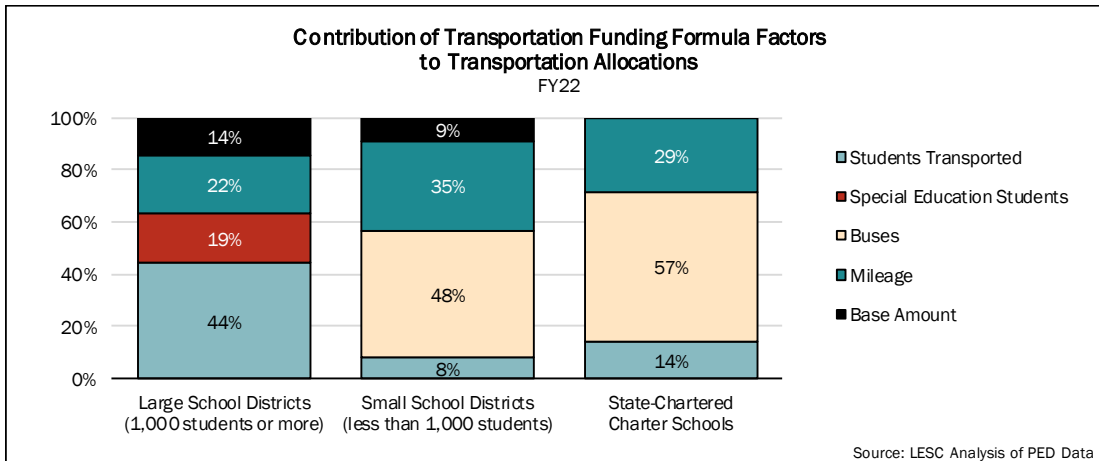
The 2012 subcommittee on school transportation heard testimony recommending the department take additional site characteristics into consideration, including road surface conditions, changes in elevation on bus routes, and fuel costs. These recommendations were not adopted.

- Number of students eligible for transportation;
- Number of students transported;
- Number of special education students;
- Number of buses in operation;
- Gross area of the school district;
- Population density (students transported divided by area);
- Total miles traveled; and
- Number of days in the school year.

In addition to the factors on the chart below, PED considers the number of days school districts and charter schools provide transportation as an overall multiplier. Additionally, PED includes a population density reduction in large school districts.

These factors are not mandated by statute or by PED administrative rule. Though they have not done so for some time, the department has the authority to set additional site characteristics or to change current site characteristics. Moreover, statute also gives LESC and the Legislative Finance Committee the authority to review and give input on site characteristics developed by PED prior to approval by the department, but the committees have not exercised this authority in recent history.





Calculation of Transportation Allocations

While PED collects data on each of the factors listed above, the specific data used to calculate each school district’s or state-chartered charter school’s transportation allocation is dependent on their enrollment. This results in three separate funding formulae, one for large school districts with 1,000 students or more, another for small school districts with less than 1,000 students, and a final formula for charter schools. There appears to be no theoretical basis for these diverging formulas; every school district should receive funding for all characteristics that may affect the cost of their school transportation programs.

Large School Districts. School districts with 1,000 students or more receive funding for non-special education students transported, special education students transported, and miles traveled. Large school districts receive a base allocation, but also have their allocations reduced based on their population density. The formula assumes dense school districts like Albuquerque will travel fewer miles to transport a greater number of students, reducing the overall cost of student transportation. For a detailed diagram explaining how the transportation allocation is calculated for large school districts, see **Attachment 1, Example Transportation Funding Formula – Large School District.**

Small School Districts. School districts with fewer than 1,000 students receive a base allocation in addition to funding for the number of students transported, the number of buses operated, and the total number of miles traveled. Small school districts do not have their funding reduced based on their population density, and inexplicably do not receive funding for special education students. For a detailed diagram explaining how the transportation allocation is calculated for a small school district, see **Attachment 2, Example Transportation Funding Formula – Small School District.**

The transportation formula relies on data collected in the prior year, but most students were not transported during the Covid-19 pandemic. Laws 2021, Chapter 130 (House Bill 331) requires the transportation distribution for FY22 to be calculated using formula weights and data collected in FY20. As a result, the formula weights for FY22 are identical to those used in FY21.

State-Chartered Charter Schools. The funding formula for state-chartered charter schools is identical to that of small school districts with one exception: charter schools do not receive a base allocation. This adjustment will contribute to a nearly \$300 difference in per-student funding at charter schools and small school districts in FY22.

Transportation Funding Per Student, Per Mile, and Per Bus

The discrepancy in factors considered in the three separate funding models contributes to large differences in the per-student allocation among large school districts, small school districts, and state-chartered charter schools. In FY22, large school districts will receive \$584 per student on average, while small school districts will receive \$1,368 per student, more than double the amount for large school districts. At the school district level, the formula may be working as intended; inefficiencies of scale in small, rural school districts may require more funding to transport fewer students, resulting in a higher per-student need. Regardless, when evaluated on a per-mile-traveled or a per-bus-operated basis, the transportation distribution appears more equivalent among the three models.

Because they are regarded by the formula to be small school districts, state-chartered charter schools receive on average more per student than large school districts. However, a majority of charter schools are located in urban or suburban areas, and it is unclear whether these schools are affected by the same transportation constraints as small, rural school districts.

Transportation Allocation Formula Factors

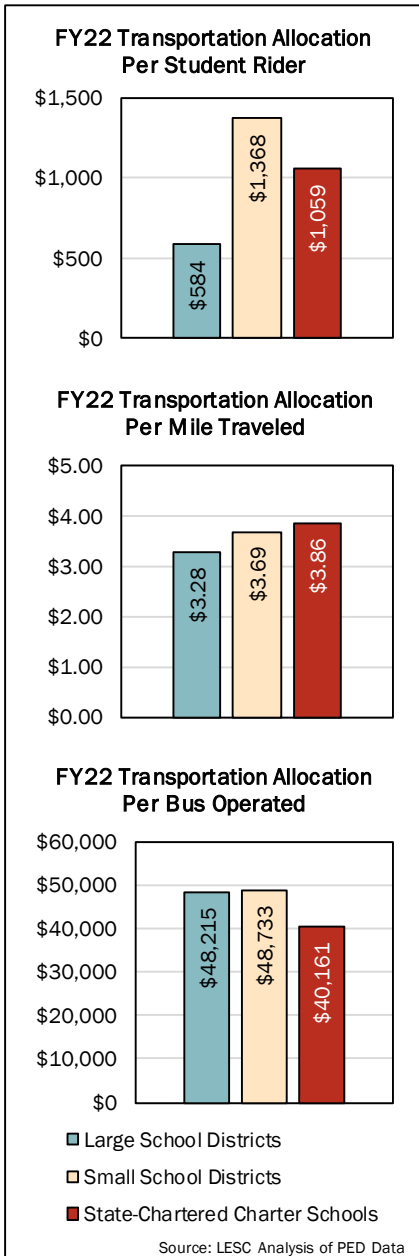
In addition to considering entirely separate variables, the formulas for large and small school districts use significantly different weights for each variable. Site characteristics like student counts, school buses, and miles traveled are multiplied by factor weights set annually by PED. The weights set by PED can vary widely from year to year, despite the fact that the actual cost of transporting students likely does not significantly change each year. Between FY16 and FY22, PED assumed the cost of transporting a single student varied between \$1.05 and \$1.54 at large school districts, a variance of 48 percent, and \$0.38 and \$1.69 at small school districts and charter schools, a variance of almost 350 percent.

Year-over-year changes to the formula factor weighting result in significant swings in the amount of funding generated at some school districts and state-chartered charter schools. For example, Lordsburg, a small school district, generated \$287 thousand in FY17, which increased by 24 percent to \$356 thousand in FY18, then decreased by 32 percent to \$243 thousand in FY19. The increase in FY18 and decrease in FY19 was driven primarily by a swing in per-student daily funding multiplier within the small school district formula, which swung from \$0.48 in FY17 up to \$1.69 in FY18 then back down to \$0.38 in FY19. Significant changes in annual funding make it difficult for school districts and state-chartered charter schools to budget for transportation effectively.

Per-Student Daily Funded Rate in PED's Transportation Funding Formula

	FY16	FY17	FY18	FY19	FY20	FY21	FY22
Large School Districts (1,000 students or more)	\$1.25	\$1.39	\$1.05	\$1.54	\$1.37	\$1.50	\$1.50
Small School Districts (fewer than 1,000 students) and State-Chartered Charter Schools	\$1.38	\$0.48	\$1.69	\$0.38	\$1.29	\$0.67	\$0.67

Source: PED



Right-Sizing School Transportation Allocations

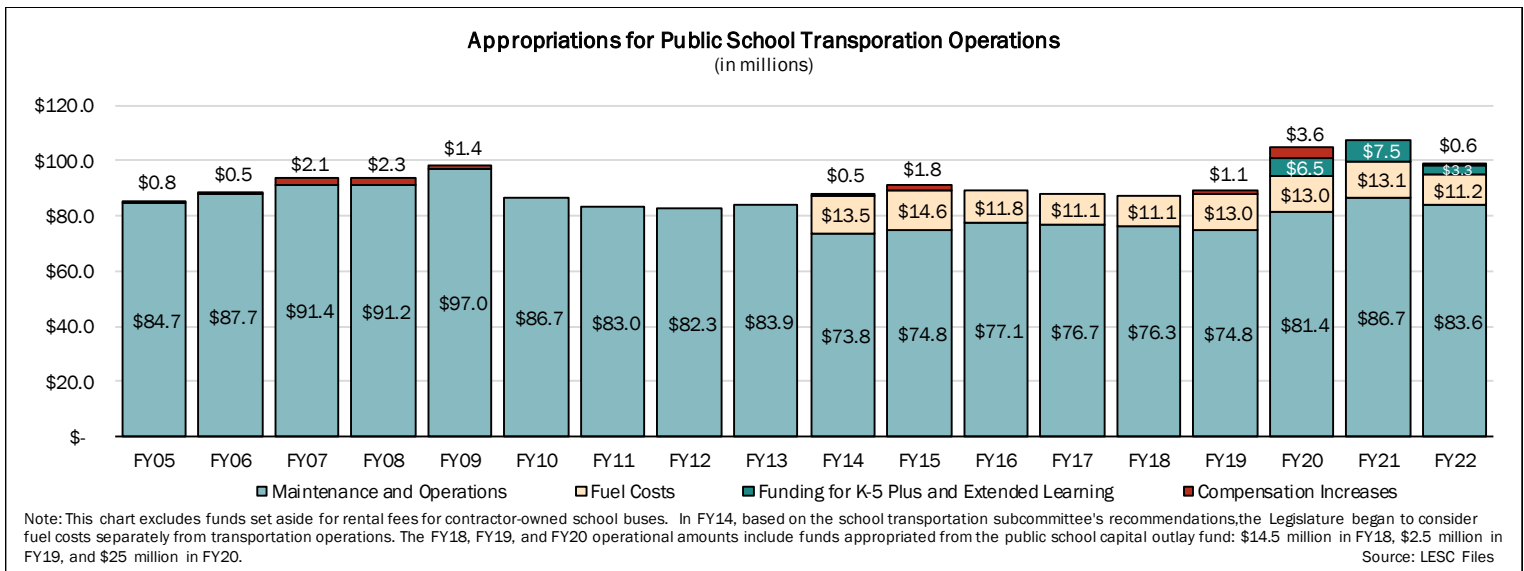
Even as the Legislature works to provide more funding for transportation allocations, evidence exists that the allocation formula is overfunding some school districts and state-chartered charter schools while underfunding others. Even if the Legislature increases funding for transportation, there is no guarantee that the funding is allocated on a consistent basis to school districts, creating a climate where some school districts spend operational funding on school transportation and others have unspent funds each year. There remains some question of whether transportation allocations could be right-sized to ensure they are being allocated where needed rather than generating reversions to the transportation emergency fund.

Appropriations to the transportation distribution – meant to cover maintenance, operations, fuel costs, and periodically, compensation increases for transportation personnel – have grown in recent years. While the Legislature cut school transportation funding during the economic recession, the transportation distribution in FY20 and FY21 surpassed a peak in funding that occurred in FY09. The transportation distribution peaked in FY21 at \$110 million, though much of this funding may not have been spent due to a lack of in-person instruction during the Covid-19 pandemic. Fifty percent of the unspent funds in FY21 will revert to the transportation emergency fund, allowing the legislature to decrease the FY22 appropriations marginally to a total of \$106 million.

Some school districts contract-out their school transportation programs to school bus contractors. A portion of the money appropriated to the public school transportation distribution is disbursed to school bus contractors to cover the cost of rental fees. The amount appropriated for contractor rental fees can change considerably from year-to-year because it is based on the number of school buses owned by school bus contractors.

Between FY18 and FY20, the Legislature relied on capital outlay funding to fully fund transportation distributions, though in FY21 and FY22 returned to fully funding the distribution using general fund dollars.

Of the \$106 million appropriated to the transportation distribution for FY22, \$3.3 million was intended to offer transportation services to students participating in K-5 Plus and extended learning time programs, and \$600 thousand was allocated to increase the salaries of school transportation personnel by 1.5 percent.



Despite increases to transportation distribution appropriations in recent years, some school districts have reported having insufficient funding in their transportation allocations to cover the cost of school transportation operations. In FY21, school districts and charter schools budgeted \$10.7 million of their operational funding toward student transportation. A majority of the operational spending on transportation is budgeted in a few school districts, while approximately half of New

Mexico’s school districts do not spend any operational funds on transportation. Little analysis has been done on how school districts are spending their transportation distribution funding, and it is unclear if these school districts are able to cut costs. Many of the school districts spending large amounts of operational funding on transportation are considered by the transportation formula to be “large school districts,” suggesting that large district allocations may require further adjustment.

Transportation Reversions

While some school districts are spending operational funds on transportation expenditures, a portion of transportation allocations to other school districts and charter schools goes unspent each year. By statute, half of all unspent transportation allocations revert to the transportation emergency fund and the other half will carry forward for expenditure the following year. However, for unknown reasons, state-chartered charter schools were unable to spend a large proportion of their transportation allocations for a number of years. See **Attachment 3, Reversions to the Transportation Emergency Fund, FY14 to FY20**.

Transportation Funds Allocated and Unspent

	FY16*	FY17*	FY18*	FY19	FY20
School District Allocations	\$87,824.0	\$87,449.1	\$87,053.2	\$91,971.1	\$98,685.9
School District Funds Unspent*	\$760.1	\$349.0	\$724.7	\$931.5	\$1,953.7
Percent Unspent	0.9%	0.4%	0.8%	1.0%	2.0%
Charter School Allocations	\$1,934.1	\$1,949.8	\$2,072.4	\$1,495.1	\$1,770.2
Charter School Funds Unspent	\$621.4	\$81.5	\$105.2	\$239.4	\$74.7
Percent Unspent	32.1%	4.2%	5.1%	16.0%	4.2%

Source: LESC Analysis of PED Data

*Note: In FY16 through FY18, 100 percent of school districts’ unspent transportation allocations reverted to the transportation emergency fund.

New Mexico’s 89 school districts receive 98 percent of the state’s transportation allocation and spend nearly all of it, while between 15 and 20 charter schools receive 2 percent of the overall allocation and are unable to spend 5 to 30 percent. In FY16, the state began including language in the General Appropriation Act (GAA) requiring 100 percent of the unspent funds at state-chartered charter schools to revert to the transportation emergency fund. For the first year the Legislature imposed the 100 percent reversion, 14 charter schools reverted \$621 thousand in unspent funding, representing 32 percent of their total allocation, compared with a similar unspent sum of \$760 thousand from all 89 school districts that represented less than 1 percent of their total allocation. Imposing the 100 percent reversion likely incentivized charter schools to find a way to spend a greater portion of their allocations, as the FY17 and FY18 reversions were considerably smaller. The 100 percent reversion language was omitted from the 2019, 2020, and 2021 GAAs, leaving the Legislature poised to consider long-term solutions to restore equity to school district and charter school transportation allocations.

Large reversions from charter schools to the emergency transportation fund hint at the underlying issue: the transportation formula was not designed with charter schools in mind. Treating charter schools – many of which operate in urban and suburban environments – like small, rural school districts produces allocations that

are likely too high. Previous LESC analysis also highlighted this issue. See **Attachment 4, LESC Analysis of Senate Bill 198 (2016)**. Senate Bill 198 in 2016, endorsed by LESC and LFC, and Senate Bill 66 in 2017, endorsed by LESC, address the overfunding of charter schools by suggesting the state set distinct transportation appropriation amounts for school districts and state-chartered charter schools. The LFC budget recommendations for FY17 through FY19 also included separate transportation distributions for school districts and state-chartered charter schools. However, language in the GAA creating two separate distributions was repeatedly vetoed by the previous administration; since 2019, the GAA has not included language upon introduction.

Because contractor rental fees are included in the transportation distribution, the replacement of contractor-owned school buses is guaranteed to occur each year. The same is not true of school district-owned bus replacement, which only occurs if the Legislature makes an appropriation to PED to cover the cost of replacing school district-owned buses.

The 2012 subcommittee on school transportation issues recommended that the Legislature extend the rental fee payment period from five years to 12 years to align it with the state's replacement cycle and allow flexibility to contractors when they finance new school buses.

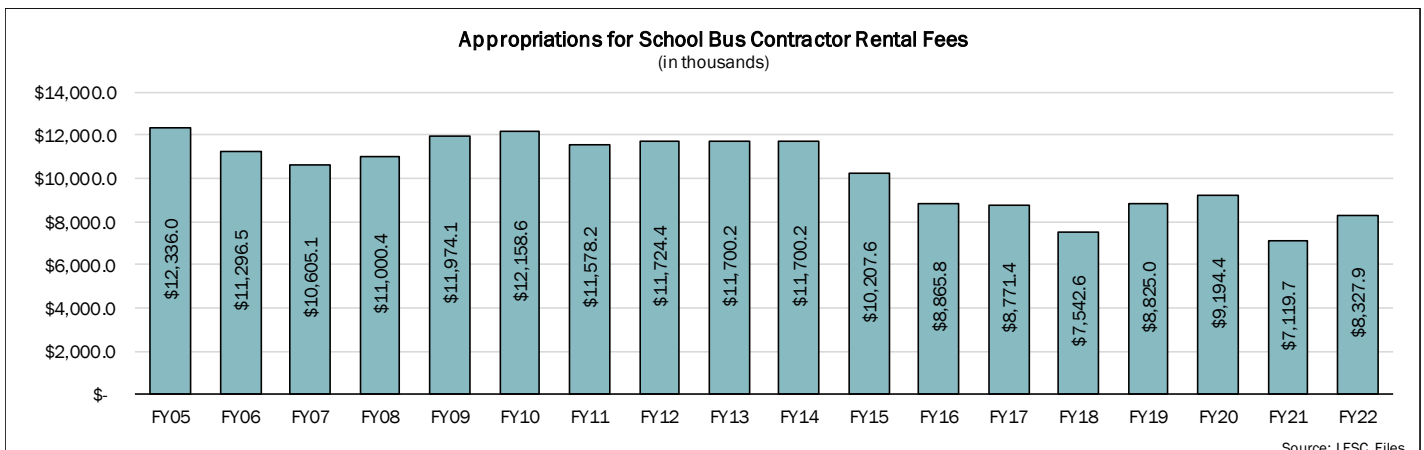
School Bus Replacement

School bus replacement occurs sporadically year-to-year and can see large peaks and valleys in the amount of funding needed to fully replace a cohort of school buses. For this reason, school bus replacements are funded separately from school bus maintenance and operations.

The 12-Year Bus Replacement Cycle

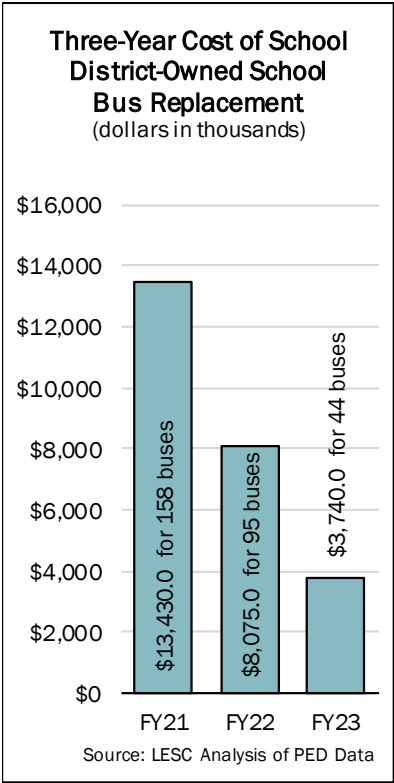
Section 22-8-27 NMSA 1978 establishes that PED shall provide for the replacement of school buses on a 12-year cycle. However, school districts may also petition the department for permission to replace school buses prior to the end of a 12-year cycle or to use buses older than 12 years old. The 12-year replacement cycle applies to school buses owned by both school bus contractors and by school districts and state-chartered charter schools. However, the mechanism for funding school bus replacement differs based on whether the school bus is owned by a private contractor or by a school district or state-chartered charter school.

Contractor-Owned School Bus Replacement and Rental Fees. A portion of the money appropriated to the public school transportation distribution in Section 4 of the GAA is distributed annually to school bus contractors to cover the cost of “school bus rental fees” – the amount of annual loan payments for buses currently under lease by school bus contractors. Statute requires school districts to file a lien on contractor-owned school buses, which is released at the end of the 12-year replacement cycle. After a contractor-owned bus is in service for 12 years, the lien is removed and contractors gain full ownership of the bus.



Statute requires school districts to pay rental fees to contractors over a five-year period, even though the bus will be operated for 12 years. In the event that a school district or contractor terminates a service contract prior to the end of the 12-year cycle, school bus contractors are required to reimburse school districts for the estimated remaining value of the school bus assuming it would have been operated for the entire 12-year cycle.

Because the number of buses replaced per year can change, the amount of funding PED requests for contractor-owned school bus rental fees can be significantly different from year to year. Appropriations for contractor rental fees are based on estimates from PED; the Legislature assumes the cost of rental fees each year and those funds are included in the transportation distribution. If the actual cost of rental fees is higher than the assumed amount in the transportation distribution, PED pulls money from what the Legislature provides for transportation maintenance, operations, and fuel costs and adjusts transportation allocations to school districts and charter schools based on remaining available funding. Following findings in FY15 that PED was overestimating the funds needed to replace contractor owned buses, the amount PED requested for contractor rental fees in recent years has been lower than it was in FY09 through FY14.



School District-Owned School Bus Replacement. School district-owned school buses will only be replaced if the Legislature makes an appropriation for that specific purpose. This means school district-owned school bus replacements are often contingent on available funding. During the 2021 legislative session, the Legislature appropriated \$3.5 million from the public school capital outlay fund to replace school buses statewide, with an additional \$3.5 million appropriation contingent on the approval of the trustee in a longstanding Volkswagen clean diesel lawsuit, which can be used to purchase energy efficient school buses and to build infrastructure and charging stations for alternative energy or electric school buses.

Similar to contractor rental fees, the amount of money required for school district-owned school bus replacement can vary significantly annually. PED records showed 158 school buses were due for replacement in FY21 at an estimated cost of \$13.4 million. However, the FY22 and FY23 replacement cycles appear to be significantly smaller, requiring only \$8.1 million and \$3.7 million respectively to fully fund replacement, perhaps due to an economic recession that began in 2008, reducing New Mexico’s revenue and impacting the state for a number of years afterward.

Although PED tracks the school buses in operation and is able to anticipate the funding need, the current system does not reliably fund school district-owned school bus replacement. Research for the 2012 subcommittee on public school transportation on other states’ school bus replacement mechanisms found states created systems with more flexibility to fund school bus replacement. At the time, states like Texas, Colorado, and Arkansas allowed school districts to supplement state school transportation allocations by imposing bonds or sales taxes. Montana and Oklahoma established a statewide school transportation fund composed of state funds and local property taxes, which allow school districts to request funding for operations and school bus replacement as needed. However, this research was conducted nearly a decade ago and would benefit from a more timely national comparison.

Extending the School Bus Replacement Cycle. In 2017, LESC endorsed legislation that would have extended the 12-year replacement cycle to 15 years. The extension would have created long-term cost savings for the state, though the exact savings per year would be dependent on the number of school buses scheduled for replacement in that year. Due to technological advancements and changes to the Federal Motor Vehicle Safety Standards, modern school buses are safer, more fuel efficient, and more environmentally friendly than they were in 1967. Opponents of the bill noted many school districts were anticipating their buses to be replaced on a 12-year cycle, and some 12-year-old buses were in such poor shape that they could not be used for an additional three years. The sponsor accepted significant amendments to the bill to keep the 12-year replacement cycle but to also require PED to allow school districts to use buses older than 12-years-old for an additional three years, contingent on satisfactory annual safety inspections. Even after these amendments, the bill did not pass in 2017, and failed again after it was reintroduced without an LESC endorsement in 2018.

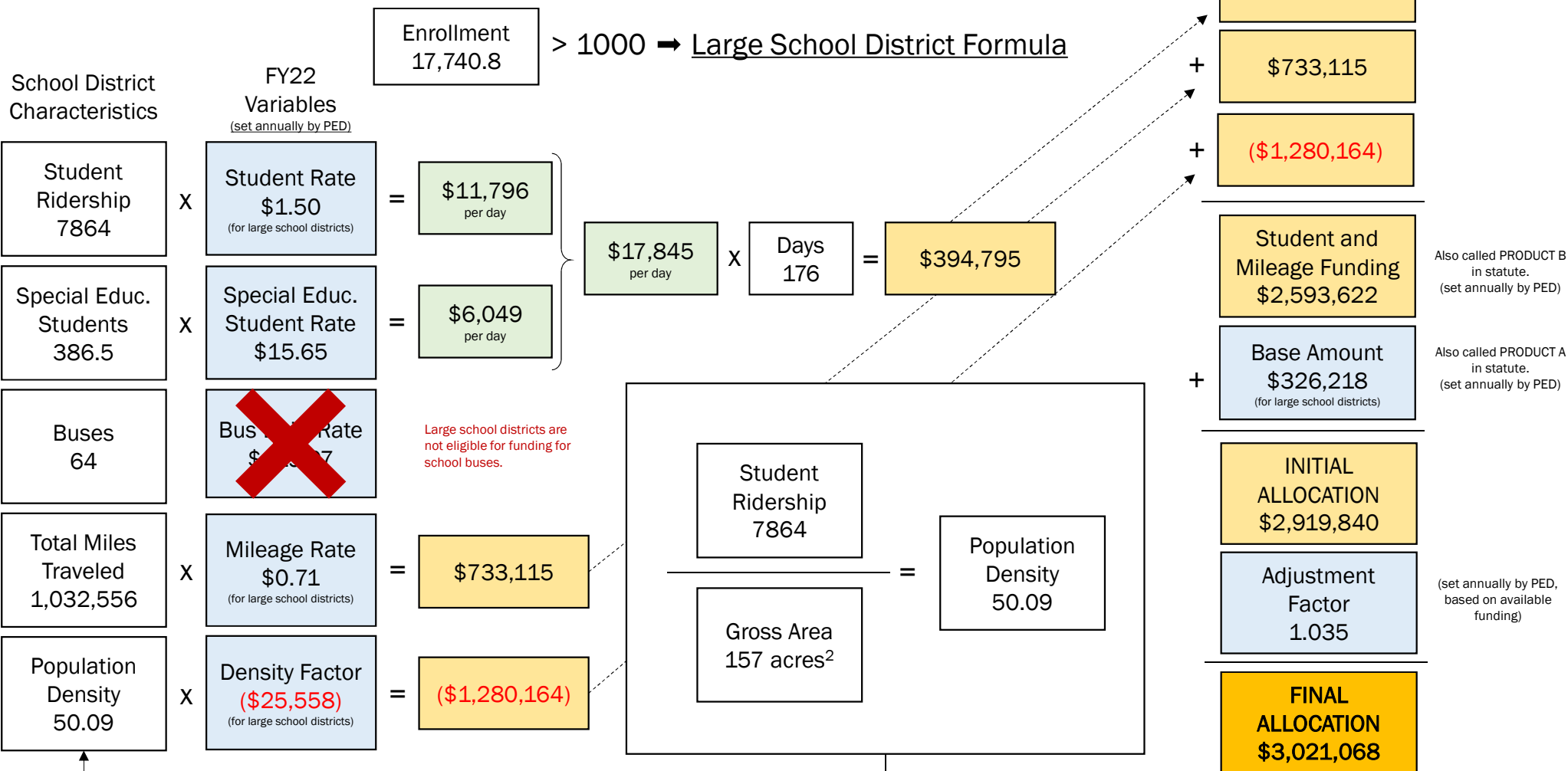
Some school districts request the use of school buses for an additional three years, while others report their school buses deteriorate after 10 years of service. Current law allows school districts to request the early or late replacement of school buses, though it is unclear how many school districts submit such requests.

A Systematic Approach to Transportation Funding

Many of the recommendations made by the 2012 subcommittee on public school transportation issues resulted in bill drafts, but during the 2013 legislative session, almost all of the bills died. One-time school bus replacement appropriations and piecemeal solutions like creating a separate distribution for state-chartered charter schools can address issues and prevent problems in the short-term, but a systemic approach may be necessary to ensure transportation is fully and reliably funded statewide. One 2012 subcommittee recommendation in particular, the creation of a school transportation task force to conduct a comprehensive study, may prove useful in revisiting issues highlighted here. Doing so will require additional data collection, particularly to find the major cost drivers in school district and charter school transportation funding, and then comparing those costs with the transportation formula to better right-size transportation allocations. With PED signaling public school transportation as a priority for the 2021 legislative interim and LESC discussing the possibility of a new subcommittee on public school transportation, the state is well positioned to make immediate impacts on New Mexico's school transportation funding system.

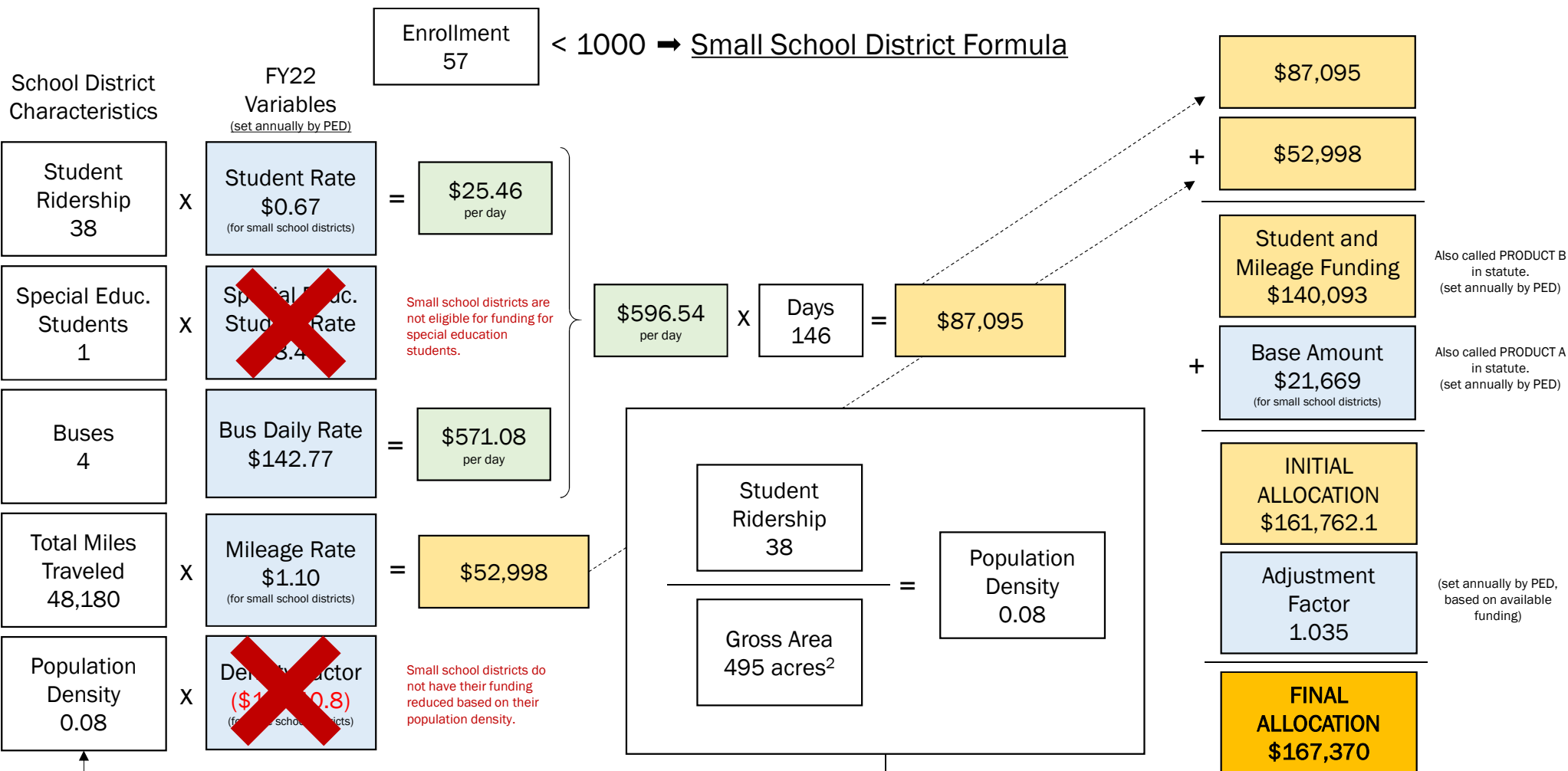
Example Transportation Funding Formula – Large School District

Rio Rancho Public Schools, FY22



Example Transportation Funding Formula – Small School District

House Municipal Schools, FY22



History of Reversions to the Transportation Emergency Fund

ATTACHMENT 3

FY14-FY20

	School District or Charter School	FY14	FY15	FY16	FY17	FY18	FY19	FY20	
	School Districts								
1	Alamogordo	\$0	\$0	\$0	\$0	\$104	\$501	\$4,553	1
2	Albuquerque	\$0	\$0	\$0	\$0	\$10,843	\$0	\$0	2
3	Animas	\$0	\$0	\$0	\$17	\$0	\$0	\$0	3
4	Artesia	\$0	\$0	\$0	\$0	\$0	\$0	\$0	4
5	Aztec	\$0	\$0	\$0	\$0	\$24,931	\$0	\$0	5
6	Belen	\$0	\$0	\$0	\$0	\$0	\$0	\$0	6
7	Bernalillo	\$28,042	\$0	\$0	\$0	\$2,973	\$27,415	\$69,543	7
8	Bloomfield	\$0	\$1,723	\$536	\$0	\$0	\$0	\$0	8
9	Capitan	\$0	\$0	\$0	\$0	\$0	\$0	\$0	9
10	Carlsbad	\$0	\$0	\$0	\$0	\$0	\$0	\$0	10
11	Carrizozo	\$15,339	\$9,671	\$146	\$0	\$6,676	\$0	\$9,967	11
12	Central	\$0	\$0	\$20,026	\$9,524	\$1,341	\$9,330	\$6,918	12
13	Chama	\$23,109	\$11,781	\$8,883	\$0	\$0	\$0	\$10,674	13
14	Cimarron	\$37	\$8	\$0	\$0	\$0	\$8	\$0	14
15	Clayton	\$31,403	\$16,442	\$3,777	\$1,888	\$0	\$79	\$0	15
16	Cloudcroft	\$9,677	\$0	\$0	\$0	\$4,632	\$4,650	\$7,281	16
17	Clovis	\$0	\$0	\$377	\$0	\$0	\$79	\$6,018	17
18	Cobre	\$0	\$0	\$0	\$0	\$0	\$0	\$0	18
19	Corona	\$0	\$8	\$0	\$0	\$0	\$8,325	\$29,121	19
20	Cuba	\$16,635	\$8,823	\$0	\$196	\$0	\$0	\$0	20
21	Deming	\$4,404	\$0	\$0	\$0	\$0	\$0	\$56	21
22	Des Moines	\$1,581	\$91	\$0	\$381	\$176	\$6,436	\$1,557	22
23	Dexter	\$0	\$0	\$11,285	\$0	\$0	\$0	\$35,331	23
24	Dora	\$3,385	\$0	\$0	\$0	\$0	\$0	\$0	24
25	Dulce	\$0	\$0	\$0	\$6,091	\$460	\$453	\$3,601	25
26	Elida	\$0	\$2,353	\$0	\$0	\$0	\$0	\$0	26
27	Española	\$0	\$0	\$0	\$69	\$0	\$57,215	\$0	27
28	Estancia	\$0	\$2,887	\$6,165	\$3,083	\$64	\$48	\$24	28
29	Eunice	\$36,043	\$28,630	\$17,654	\$3,846	\$19,455	\$18,906	\$38,464	29
30	Farmington	\$8,140	\$8,316	\$4,158	\$19,041	\$15,060	\$86,881	\$208,171	30
31	Floyd	\$0	\$0	\$0	\$0	\$0	\$0	\$0	31
32	Fort Sumner	\$5,403	\$0	\$10	\$0	\$0	\$0	\$0	32
33	Gadsden	\$1,399	\$4,575	\$169	\$182	\$2,314	\$6,574	\$2	33
34	Gallup-McKinley	\$0	\$0	\$61,260	\$35,418	\$668	\$87	\$24,910	34
35	Grady	\$0	\$0	\$0	\$0	\$0	\$0	\$0	35
36	Grants-Cibola	\$0	\$0	\$0	\$733	\$0	\$5,737	\$0	36
37	Hagerman	\$0	\$0	\$0	\$0	\$0	\$4,956	\$2,805	37
38	Hatch	\$37,087	\$24,526	\$52,686	\$28,845	\$37,025	\$39,123	\$48,273	38
39	Hobbs	\$56,136	\$43,613	\$4,958	\$2,480	\$1,342	\$8,901	\$20,672	39
40	Hondo	\$0	\$29,250	\$13,147	\$2,424	\$1,606	\$15,709	\$0	40
41	House	\$0	\$0	\$0	\$0	\$0	\$0	\$0	41
42	Jal	\$5,654	\$18,634	\$13,467	\$5,553	\$225	\$294	\$5,181	42
43	Jemez Mountain	\$14,530	\$0	\$45,498	\$3,226	\$26,163	\$31,381	\$53,444	43
44	Jemez Valley	\$12,568	\$0	\$13,806	\$17,705	\$33,664	\$12,802	\$12,294	44
45	Lake Arthur	\$0	\$0	\$18	\$11	\$0	\$0	\$32,491	45
46	Las Cruces	\$0	\$0	\$0	\$0	\$0	\$0	\$0	46
47	Las Vegas City	\$0	\$0	\$0	\$249	\$19	\$0	\$0	47
48	Logan	\$0	\$0	\$0	\$0	\$0	\$0	\$0	48
49	Lordsburg	\$8,143	\$597	\$299	\$0	\$32,468	\$15,908	\$0	49
50	Los Alamos	\$0	\$0	\$0	\$0	\$6,003	\$0	\$315	50
51	Los Lunas	\$0	\$0	\$0	\$0	\$0	\$0	\$0	51
52	Loving	\$13,697	\$0	\$7,461	\$0	\$645	\$0	\$0	52
53	Lovington	\$37	\$13,363	\$13,107	\$425	\$1,145	\$8,077	\$0	53
54	Magdalena	\$0	\$9	\$0	\$0	\$5	\$0	\$0	54
55	Maxwell	\$0	\$0	\$0	\$0	\$0	\$0	\$0	55
56	Melrose	\$0	\$0	\$0	\$0	\$0	\$0	\$0	56
57	Mesa Vista	\$0	\$0	\$0	\$0	\$0	\$148	\$478	57
58	Mora	\$0	\$33,261	\$0	\$0	\$9,051	\$0	\$12,486	58
59	Moriarty	\$0	\$27,485	\$18	\$0	\$0	\$0	\$0	59
60	Mosquero	\$53,527	\$85	\$0	\$0	\$992	\$0	\$0	60

History of Reversions to the Transportation Emergency Fund

ATTACHMENT 3

FY14-FY20

	School District or Charter School	FY14	FY15	FY16	FY17	FY18	FY19	FY20	
61	Mountainair	\$83	\$0	\$7	\$0	\$0	\$0	\$0	61
62	Pecos	\$3,549	\$13,845	\$9,655	\$0	\$919	\$0	\$17,410	62
63	Peñasco	\$1,140	\$7,879	\$14,552	\$13,037	\$5,522	\$1,155	\$8,472	63
64	Pojoaque	\$0	\$14,744	\$3,806	\$5	\$7	\$0	\$5,136	64
65	Portales	\$0	\$0	\$0	\$0	\$0	\$0	\$0	65
66	Quemado	\$9,383	\$32,677	\$12,248	\$459	\$2,543	\$14,613	\$36,540	66
67	Questa	\$192	\$0	\$112	\$298	\$19,448	\$2,048	\$17,575	67
68	Raton	\$0	\$7	\$2,323	\$2,795	\$35,920	\$6,062	\$19,410	68
69	Reserve	\$9,857	\$20,270	\$2,770	\$826	\$5,228	\$13,821	\$0	69
70	Rio Rancho	\$0	\$0	\$0	\$0	\$0	\$0	\$17,178	70
71	Roswell	\$0	\$0	\$0	\$0	\$250	\$0	\$0	71
72	Roy	\$3,760	\$1,880	\$0	\$0	\$0	\$0	\$0	72
73	Ruidoso	\$0	\$0	\$490	\$246	\$0	\$0	\$0	73
74	San Jon	\$0	\$0	\$0	\$0	\$0	\$0	\$2,193	74
75	Santa Fe	\$83	\$0	\$0	\$0	\$146	\$73	\$222	75
76	Santa Rosa	\$3,774	\$4,367	\$2,246	\$1,181	\$374	\$857	\$19,635	76
77	Silver City	\$0	\$36	\$22	\$13	\$18	\$9	\$6,358	77
78	Socorro	\$0	\$0	\$0	\$0	\$0	\$0	\$0	78
79	Springer	\$0	\$20,592	\$1,269	\$0	\$0	\$0	\$0	79
80	T or C	\$3,465	\$4,757	\$1,303	\$1,263	\$3,619	\$215	\$20,650	80
81	Taos	\$0	\$22,750	\$1	\$14	\$15	\$0	\$0	81
82	Tatum	\$2,840	\$15,007	\$3,340	\$2,113	\$0	\$0	\$4,586	82
83	Texico	\$0	\$0	\$0	\$0	\$0	\$0	\$0	83
84	Tucumcari	\$0	\$0	\$0	\$0	\$0	\$0	\$0	84
85	Tularosa	\$95	\$108	\$883	\$452	\$21,187	\$15,641	\$34,890	85
86	Vaughn	\$23,152	\$0	\$0	\$0	\$0	\$0	\$1,361	86
87	West Las Vegas	\$26	\$182	\$110	\$20	\$0	\$0	\$0	87
88	Wagon Mound	\$6,160	\$11,328	\$5,490	\$0	\$2,602	\$2,611	\$1,343	88
89	Zuni	\$61,276	\$11,074	\$20,533	\$10,399	\$24,998	\$38,606	\$119,251	89
	State-Chartered Charter Schools								
90	Albuquerque Sign Language Charter	\$15,622	\$25,491	\$31,724	\$8,001	\$0	\$0	\$5,164	90
91	Albuquerque Talent Development Academy	\$3,861	\$0	\$0	\$0	\$0	\$0	\$0	91
92	Cien Aguas Charter	\$10,343	\$14,510	\$33,054	\$0	\$0	\$0	\$0	92
93	Cottonwood Classical	\$0	\$43,428	\$84,495	\$0	\$0	\$0	\$0	93
94	El Camino Real Charter	\$0	\$0	\$0	\$0	\$0	\$0	\$0	94
95	Explore Academy Charter	\$0	\$5,041	\$7,651	\$2,446	\$6,300	\$75,063	\$0	95
96	Health Sciences Academy Charter School	\$0	\$0	\$0	\$0	\$0	\$0	\$0	96
97	International School at Mesa Del Sol	\$0	\$9,855	\$19,564	\$0	\$0	\$0	\$0	97
98	La Academia Dolores Huerta	\$0	\$0	\$0	\$0	\$0	\$0	\$0	98
99	La Promesa Charter School	\$0	\$7,340	\$23,573	\$0	\$0	\$12,511	\$0	99
100	La Tierra Montessori Charter	\$5,247	\$7,262	\$7,986	\$0	\$0	\$0	\$5	100
101	Mission Achievement & Success Charter	\$0	\$4,850	\$0	\$0	\$27,608	\$0	\$29,616	101
102	Monte Del Sol Charter School	\$0	\$0	\$14,691	\$0	\$0	\$0	\$0	102
103	New Mexico International Charter	\$0	\$0	\$0	\$0	\$0	\$0	\$0	103
104	RFK Charter	\$0	\$0	\$0	\$0	\$0	\$0	\$0	104
105	Red River Charter	\$25,474	\$9,756	\$2,150	\$0	\$0	\$1,209	\$425	105
106	School of Dreams Academy	\$0	\$0	\$24,267	\$0	\$0	\$10,454	\$0	106
107	Southwest AM&S	\$0	\$97,391	\$195,049	\$69,710	\$66,074	\$16,459	\$2,129	107
108	Southwest Secondary	\$0	\$0	\$43,753	\$600	\$3,043	\$4,020	\$0	108
109	South Valley Academy	\$14,774	\$0	\$0	\$0	\$0	\$0	\$0	109
110	Tierra Encantada Charter School	\$0	\$0	\$0	\$697	\$0	\$0	\$0	110
111	Turquoise Trail Charter School	\$0	\$0	\$26,577	\$0	\$2,164	\$0	\$7	111
112	Uplift Community Charter	\$0	\$67,271	\$106,843	\$0	\$0	\$0	\$0	112
113	School District Total	\$514,811	\$467,634	\$380,071	\$174,508	\$362,846	\$465,734	\$976,840	113
114	State-Chartered Charter Schools Total*	\$75,321	\$292,195	\$621,377	\$81,454	\$105,189	\$119,716	\$37,346	114
115	Statewide Total	\$590,132	\$759,829	\$1,001,448	\$255,962	\$468,035	\$585,450	\$1,014,186	115

*Note: In FY16-FY18, charter schools were required to revert 100 percent of unspent funds to the transportation emer. Source: PED

**LEGISLATIVE EDUCATION STUDY COMMITTEE
BILL ANALYSIS**

Bill Number: SB 198

52nd Legislature, 2nd Session, 2016

Tracking Number: 202283.5

Short Title: School Transportation Distribution

Sponsor(s): Senator Clemente Sanchez and Representative Dennis J. Roch

Analyst: David Craig

Date: January 31, 2016

**FOR THE LEGISLATIVE EDUCATION STUDY COMMITTEE
AND THE LEGISLATIVE FINANCE COMMITTEE**

Bill Summary:

SB 198 amends the *Public School Finance Act* to create two separate transportation formula funding calculations and distributions for school districts and state-chartered charter schools.

Fiscal Impact:

SB 198 does not make an appropriation. The FY17 Legislative Finance Committee budget recommendation for Public School Support includes a \$1.1 million categorical transportation appropriation for state-chartered charter schools and \$99.8 million for school districts.

At a Glance:

- State-chartered charter schools generally receive significantly more transportation funding than they can spend resulting in large cash balances and reversions to the Transportation Emergency Fund.
- SB 198 will allow the Legislature to right-size appropriations for state-chartered charter school and school district transportation.
- School district transportation allocations will be protected as new state-chartered charter schools seek transportation funding.
- State-chartered charter school transportation programs will be required to adhere to similar requirements as school districts.

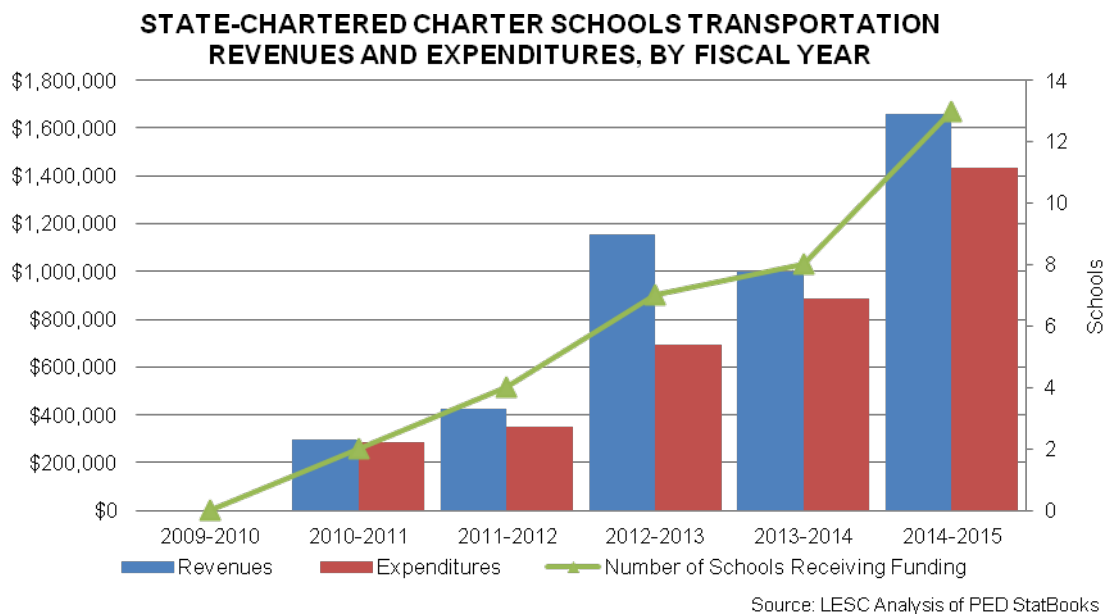
Detailed Bill Provisions:

Among its other provisions, the bill requires state-chartered charter schools to: deposit remaining transportation balances in the Transportation Emergency Fund, adhere to reporting requirements necessary to calculate a transportation funding formula allocation, limit transportation to the boundaries of the school district in which the state-chartered charter school is geographically located, and establish bus routes and walk zones.

Substantive Issues:

New state-chartered charter schools are being authorized to receive transportation funding though funding has not been appropriated for new transportation programs. In addition, more state-chartered charter schools access transportation funding each year, from two in FY11 to 20 in FY16. The FY16 initial transportation allocation provided approximately \$2.3 million to fund 20 state-chartered charter school transportation programs. This represents an increase of seven charter schools and \$607,000 over the FY15 transportation allocation to 13 state-chartered charter schools receiving \$1.6 million. However, during this time, transportation funding decreased by \$4.0 million, resulting in less funding for school districts. In FY15 school districts spent \$4.6 million of operational funds on transportation. Without a corresponding increase in the appropriation, transportation funding for new state-chartered charter school transportation programs may result in a smaller transportation allocation distributed to existing school districts and state-chartered charter schools.

In recent years, transportation funding for existing state-chartered charter school transportation programs exceeded program expenditures. In FY15, the transportation funding formula provided 16 percent more transportation funding to state-chartered charter schools than the charter schools were able to spend on to-and-from transportation expenditures.



According to the Public Education Department (PED), eight charter schools are estimated to revert \$263,000 from their FY15 categorical transportation allocations. As state-chartered charter schools retain half of the amount of the categorical transportation allocation for other transportation uses, the unspent state-chartered charter school allocations totaled \$526,000 in FY15, or 33 percent of the total \$1.6 million allocated to state-chartered charter schools in FY15. By contrast, unspent school district allocations totaled \$1.1 million or 1.1 percent of the total \$93.6 million allocated to school districts. This bill will allow the Legislature to appropriate funds that more closely reflect the costs of state-chartered charter school transportation programs. PED notes if the bill is enacted, it will be required to run two different funding formula regressions and may result in different coefficients. PED indicates state-chartered charter schools and school districts may generate different amounts per student, per mile, and per school bus.

Background:

Previous LESC Discussion

Interim subcommittees on public school transportation during the 2012 and 2013 interims heard testimony from PED that state-chartered charter schools were receiving more school transportation funding formula allocations than they needed to provide to-and-from transportation services for students. LESC staff analysis of this issue was also presented to a 2014 interim LESC Charter Schools Subcommittee. The issue was also discussed by the LESC at its July 2015 interim meeting in Rio Rancho and the LESC-Legislative Finance Committee (LFC) Ad Hoc Work Group. In each instance, LESC staff presented information that also showed existing state-chartered charter school transportation programs continue to receive transportation funding in excess of amounts required to operate programs, and indicated there are no provisions in law that relate to transportation boundaries or limit distances traveled to transport students for state-chartered charter schools. With these points in mind, LESC staff suggested that committee members consider whether:

- the current mechanism for allocating transportation funding to state-chartered charter schools is adequate;
- geographic boundaries or distances should be established for charter school transportation services; or
- state-chartered charter schools should be eligible for transportation allocations.

This legislation was informed by discussions of members of the LESC subcommittees and discussion by committee members at the July 2015 interim meeting.

LESC-LFC Ad Hoc Work Group

During the 2015 interim, members from both the LESC and LFC convened an Ad Hoc Work Group to study education-related issues of common interest to the two committees. Two transportation-related issues were discussed, including state-chartered charter schools receiving more funds than necessary to operate their transportation programs and new programs impacting existing transportation funding. This legislation was also informed by discussions of members of the work group.

Transportation Funding Under Current Law

Provisions of the *Public School Finance Act* determine the funding elements of the state's transportation program. The following is a summary of the current provisions of the *Public School Finance Act* that relate to the calculation and allocation of transportation funding.

- **The transportation distribution** as it relates to a school district's or state-chartered charter school's transportation allocation, includes provisions that require:
 - allocations to be used only for to-and-from school transportation costs of public school students in grades K-12 and for three- and four-year-old developmentally disabled students;
 - 50 percent of any excess funds to revert to the transportation emergency fund;

- 25 percent of the remaining excess to only be used for to-and-from transportation, excluding salaries and benefits;
 - the remaining 25 percent of excess to be used for any other transportation services, excluding salary and benefits;
 - each school district or state-chartered charter school to have their allocations reduced in the proportion to the total state distribution; if the amount of an allocation exceeds distributions; and
 - a local board or governing body of a state-chartered charter school to seek approval to provide additional transportation services.
- **The current calculation of the transportation allocation** includes:
 - a base amount to which is added a variable predicted amount calculated from a regression analysis of site characteristics and predictor variables multiplied by number of days; and
 - then multiplied by an adjustment factor which is calculated by subtracting the amount of the sum of the base and variable amounts from the total transportation appropriation and dividing by the sum of the base and variable and then adding one.
 - **Distributions from the transportation emergency fund** are allowed by statute in instances of transportation emergencies.

Related Bills:

SB 46 *School Transportation Boundary Agreements*