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July 10, 2013

**MEMORANDUM**

**TO:** Legislative Education Study Committee

**FR:** David T. Craig

**RE: STAFF REPORT: SCHOOL TRANSPORTATION: BACKGROUND**

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**INTRODUCTION**

The Legislature appropriates public school transportation funds to the Public Education Department (PED), which then distributes funds to the school district through a statutory, categorical funding formula designed to provide for eligible to-and-from school transportation costs. Local school districts are responsible for the daily management of school transportation programs based on distance parameters specified in law that require school bus routes to be maintained for students in:

- grades K through 6 that live at least one mile one way from school;
- grades 7 through 9 that live at least one and one-half miles one way from school; and
- grades 10 through 12 that live at least two miles one way from school.

While approximately 30 percent of school districts statewide administer their own school transportation services, a local board may choose to provide these services by entering into school bus service contracts with an individual (one-bus) school bus owner-operators or with school bus fleet owners or with both. This staff brief provides an overview of:

- LESC 2012 Interim Subcommittee on Transportation;
- 2013 Legislature;

- Key Provisions in Law;
- Appropriation History;
- PED Appropriation Request Methodology;
- Chronology of School Transportation; and
- Potential Concerns with Transportation Funding.

## **LESC 2012 INTERIM SUBCOMMITTEE ON SCHOOL TRANSPORTATION**

Realizing that public school bus transportation funding had not been examined since the late 1990s and that committee members had expressed concerns relating to increased fuel costs for bus contractors, in the 2012 interim, the Legislative Education Study Committee (LESC) chair appointed the LESL Subcommittee on School Transportation, which met in August, October, and December 2012.

### **August 2012 Subcommittee Meeting**

During the August meeting:

- the subcommittee chair requested that discussions be focused on agreement or consensus about legislation that the LESL could consider endorsing for the 2013 legislative session and further suggested that the subcommittee may be reconvened in future interims for ongoing discussion of issues and concerns;
- LESL staff provided an overview of the state’s school transportation program, including key provisions in current law for regular district schools and for charter schools; appropriations history; and PED appropriation development and allocation methodology;
- officials with the New Mexico Public Schools Insurance Authority (NMPSIA) described the health benefits that NMPSIA provides to approximately 25,000 school transportation employees, including one-bus contractors who are considered public school employees; and the liability coverage that NMPSIA provides for school bus operators and contractors; and
- Legislative Finance Committee (LFC) staff presented an overview of the 2011 LFC program evaluation of the school bus transportation program.

After discussing these points and a number of others, the subcommittee reached consensus that staff be requested to examine and report on the following three issues:

- school bus replacements and rental fees;
- fuel costs and the appropriation request; and
- site characteristics and the school transportation allocation process.

### **October 2012 Subcommittee Meeting**

During the two-day October meeting, staff from the LESL and PED presented information contained in three staff briefs:

### ***School Bus Replacements and Rental Fees***

LESC staff testified that, from FY 06 through FY 13, General Fund revenues were not sufficient to fully fund the cost of bus replacements and that the Legislature supported these replacements with other sources of funding, including severance tax bonds, general obligation bonds, General Fund revenue, and the Capital Projects Fund. Even with these other sources, however, the bus replacement needs outpaced available funding appropriated by the Legislature. As a result, according to information from PED, the FY 14 capital outlay request for district-owned school buses includes an appropriation request of \$20.1 million, which considers the replacement of a total of 237 buses that are behind the 12-year replacement schedule in current law.

With regard to the purchase of contractor-owned school buses, LESL staff noted that General Fund appropriations support these purchases, which in current law are established as rental fees paid to a contractor over a five-year period. Among options presented to the subcommittee for consideration was amending current law to extend the period of time during which a school district can pay rental fees on any one bus from five years to 12 to allow for flexibility in contractor financing.

### ***Fuel Costs and the Appropriation Request***

LESC staff reported that it is difficult to track appropriations specific to fuel because fuel costs are one of the three components that comprise the single categorical public school support line item for school transportation; the other two are operations and maintenance and salaries and benefits. Among other points related to fuel costs, LESL staff:

- reviewed provisions in the *Special Fuels Supplier Tax Act* that provide for a refund of state taxes on fuel and a credit to ensure that special fuel is not subject to double taxation – once from the supplier and again from the user;
- identified several variables that affect the cost of fuel and that complicate cost estimates;
- noted that, in New Mexico, fuel prices vary by region and that, because the transportation allocation does not consider regional fuel price variation either directly or indirectly through the site characteristics, a district's annual budget for fuel could fall short of actual expenditures even if the statewide annual average price projection were correct; and
- suggested several options for reducing fuel costs or distributing fuel more efficiently.

Testimony by PED staff explained that the department uses an average diesel price per gallon to help determine the fuel base funding request.

### ***Site Characteristics and School Transportation Allocation Process***

LESC staff described the transportation data that school districts and charter schools submit to PED; and identified the site characteristics that the department considers in its current transportation calculation:

- students eligible for transportation;
- students transported;
- special education students;

- buses;
- buses with lifts;
- area;
- density (students divided by area);
- total miles traveled; and
- days.

PED staff outlined the data that can be compiled using the school bus global positioning system, which had been funded in 2007 with a capital outlay appropriation but that is currently unfunded. The staff emphasized the need to fund this system statewide in order to obtain accurate and reliable information to consider in amending the current transportation formula.

LESC staff noted additional site characteristics that affect school transportation operations, including:

- roadway miles, elevation, and high fuel costs;
- charter schools;
- small school districts with large land areas;
- high cost of fuel and equipment parts; and
- declines in student membership that affect transportation budget but that may require providing more transportation services as a result of students in charter schools or an increase in special needs students.

Subcommittee members also suggested a variety of means for addressing some of the issues presented, among them the use of prior-year numbers to provide more stability in school transportation funding and the potential benefits of a Global Positioning System (GPS).

### **December 2012 Subcommittee Meeting**

In December, the subcommittee met twice to hear additional staff presentations and to reach consensus on recommendations to submit to the LESL. Among the points addressed in staff testimony were:

- an overview of provisions in other state laws, some of which allow more flexibility in local property taxes, the replacement of buses, and financing options;
- the potential of a GPS on school buses for increasing PED's oversight of the school transportation program statewide and providing additional data;
- provisions of the *New Mexico Finance Authority Act* and its Public Projects Revolving Fund, with the possibility of using this mechanism to finance school bus purchases; and
- an overview of provisions in current law that allow private school bus contractors to claim a deduction or credit against their special fuel excise tax liability.

LESL staff testimony also addressed PED's use of prior-year first reporting date data as the basis for the current year's tentative transportation budget and reported that school districts have found that the additional PED practice of adjusting the allocations according to current-year first reporting date data has been disruptive. This testimony also noted that the purchase of school buses by private contractors is subject to the motor vehicle excise tax, which is 3.0 percent of the

price paid for the vehicle. However, school districts receive an exemption from this tax, and contractors pass it on to the state through rental fees.

Subcommittee members then discussed a variety of possible initiatives and reached consensus on several recommendations to present to the LESC.

### ***Recommendations of the Subcommittee***

- 1) *Bus Rental Fee Extension*: Introduce legislation to extend the period of time during which a school district can pay rental fees on any one bus to 12 years from five years to allow for flexibility in contractor financing and to align with the 12-year school bus replacement cycle.
- 2) *Gross Receipts Exemption for Fuel Purchase*: Introduce legislation to amend the *Gross Receipts and Compensating Tax Act* to allow for an exemption from gross receipts tax for school bus contractors for purchases of gasoline and special and alternative fuels.
- 3) *School-owned Bus Replacements Capital Appropriation*: Through severance tax bonds, appropriate \$20.145 million to PED for the purchase of school-owned buses.
- 4) *Supplemental Fuel Funding Based on Mileage*: Appropriate \$1.0 million to PED for quarterly supplemental fuel funding based on to-and-from mileage if the Secretary of Public Education determines that there is a need due to an increase in fuel costs.
- 5) *Global Positioning System (GPS)*: Introduce legislation to make a special appropriation of \$565,000 to PED for expenditure in FY 14 for purchase and/or operation of GPS equipment based on an estimate for operating costs for GPS hardware; to provide a method for PED to verify mileage, idle time, and fuel use to accurately reimburse costs; and to inform future studies of the school transportation funding formula, including site characteristics.
- 6) *School Bus Transportation Distribution Based on Prior-year Reporting*: Introduce legislation to amend law to base prior-year reporting on the average of the 80<sup>th</sup> and 120<sup>th</sup> reporting date.
- 7) *Study of Transportation Issues*: The Subcommittee recommended the creation of a task force to examine the transportation funding formula, recruitment and retention of school bus drivers, costs of and funding for fuel, as well as reviewing safety concerns for school transportation. The Subcommittee recommended a \$90,000 appropriation to Legislative Council Service (LCS) to help offset costs.

### **2013 LEGISLATURE**

For consideration of the 2013 Legislature, the LESC endorsed six (listed below) of the seven subcommittee recommendations listed below. Not endorsed was the subcommittee recommendation relating to the creation and an appropriation for a task force to study school transportation issues.

- *School Bus Transportation Distribution Based on Prior-year Reporting*: HB 419 amended law to base prior-year reporting on the average of the 80<sup>th</sup> and 120<sup>th</sup> reporting date. The change from the subcommittee recommendation by the LESC was done to mirror reporting dates for operational funding via the Student Teacher Accountability Reporting System (STARS). Amendments fixed technical drafting oversights related to charter schools receiving distributions and delayed an implementation date until FY 15. This legislation did not pass.
- *Supplemental Fuel Funding Based on Mileage*: HB 447 appropriated \$1.0 million to the Transportation Emergency Fund for expenditure in FY 13 and subsequent years for the purposes of the transportation emergency fund. HB 447 was subsequently amended to remove the appropriation from the General Fund and allow for funding for increases in fuel costs from existing fund balance for FY 13 and FY 14. This legislation did not pass.
- *Bus Rental Fee Extension*: HB 603 allowed flexibility in contractor financing and aligned with the 12-year school bus replacement cycle by allowing school districts to pay rental fees up to 12 years. This legislation did not pass.
- *Gross Receipts Exemption for Fuel Purchase*: HB 603 amended the *Gross Receipts and Compensating Tax Act* to allow for an exemption from gross receipts tax for school bus contractors for purchases of gasoline and special and alternative fuels. This legislation did not pass.
- *School-owned Bus Replacements Capital Appropriation*: House Capital Request 42 requested appropriating through severance tax bonds \$20.145 million to PED for the purchase of school-owned buses. This recommendation mirrored the capital outlay request of PED. Senate Finance Committee Substitute for SB 60 and HB 337 appropriated \$13.0 million from the Public School Capital Outlay Fund for school bus replacement.
- *Global Positioning System (GPS)*: SB 576 requested a special appropriation of \$565,000 to PED for expenditure in FY 14 for purchase and/or operation of GPS equipment based on an estimate for operating costs for GPS hardware; to provide a method for PED to verify mileage, idle time, and fuel use to accurately reimburse costs; and to inform future studies of the school transportation funding formula, including site characteristics. This legislation did not pass.

## KEY PROVISIONS IN CURRENT LAW

The provisions in current law for the transportation program are included in three sections of the current *Public School Code* (code). Among these three sections are the following:

- the administration of the program;
- the *Public School Finance Act*; and
- the *Charter Schools Act*.

And, in another section of law (separate from code), the *Special Fuels Supplier Tax Act*, provisions in law are made that provide for a refund of state taxes on fuel.

## *Administration of the Program*

Among its provisions, the code provides in PED for a State Transportation Division (division) and a State Transportation Director, appointed by the Secretary of Public Education. These provisions require the division to establish:

- standards for bus transportation;
- standards for school bus design and operation;
- procedures for resolution of transportation issues regarding boundary disputes between local school districts;
- standards and certify for safety vehicles defined as school buses; and
- regulations regarding commercial bus advertisements.

The division is also required to audit records of school bus contractors or district-owned bus operations.

Other provisions in the code establish the legal framework for:

- school bus service contracts;
- school bus routes;
- reimbursements of parents or guardians;
- termination of school bus use and resale requirements;
- use of state or county equipment for snow removal; and
- regulatory authority of the state transportation director and school district personnel, including penalties for misconduct or breach of contract.

## *Public School Finance Act*

Provisions from the *Public School Finance Act* in the code relate to the following:

- **transportation distribution**, as it relates to a school districts' or state-chartered charter school's transportation allocation, including provisions that require:
  - allocations to only be used to-and-from school transportation costs of public school students in grades K-12; 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<sup>1</sup> except for salaries and benefits;
  - the remaining 25 percent of excess to be used for any other transportation services except salary and benefits;

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<sup>1</sup> *To-and-from transportation* is defined in the administrative code as "Services provided from home to school and from school to home each day that school is in session for students in grades kindergarten through twelve attending public school within the school district and of three- and four-year old children who meet the department approved criteria and definition of developmentally disabled and for transportation of students to and from their regular attendance centers and the place where approved vocational education programs are being offered."

- if the amount of an allocation exceed distributions, each school district or state-chartered charter school to have their allocations reduced in the proportion to the total state distribution; and
  - a local board or governing body of a state-chartered charter school to seek approval to provide additional transportation services.
- **purchase of school bus transportation equipment**, including the:
    - replacement of buses on a 12-year cycle including petitions to replace buses early;
    - payment of rental fees for contractor-owned buses and replacement of buses on a 12-year replacement cycle;
    - process by which a school district files a lien against contractor-owned school buses with the motor vehicle division of the taxation and revenue department;
    - rental period limit for buses to five years; and
    - provisions to allow PED to recoup money owed to a school district by a bus contract that is terminated.
  - **reporting requirements** for allocations that the local board or governing body of a state-chartered charter school must report on the first reporting date of the current year, including the:
    - number and designation of bus routes;
    - number of miles by road surface;
    - number of students transported on the first reporting period and adjustments for special education on December 1;
    - projected students for the next year;
    - seating capacity, age, and mileage of each bus; and
    - number of total miles traveled for each per capita feeder route.

This section of law also requires PED to:

- base allocations for the first six months of a school year on the tentative transportation budget for the current fiscal year;
  - adjust allocations for the remainder of the year based on the amount the school district is to receive on the November 15 reporting date; and
  - make installment payments to districts and state-chartered charter schools based on their approved allocations.
- **calculation of the transportation allocation** that 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 the adding one.
  - **distributions from the transportation emergency fund** for transportation emergencies.

The transportation allocation is distributed by PED on the basis of the following variable characteristics:

- students eligible for transportation;
- students transported;
- special education students;
- buses;
- buses with lifts;
- area;
- density (students divided by area);
- total miles traveled; and
- days.

As summarized in this staff brief in the section titled “Potential Concerns with Transportation Funding,” whether these items impact the allocation will depend on the size of the district.

### ***Charter Schools Act***

Among its provisions, the *Charter Schools Act* in the code addresses the transportation of charter school students by:

- requiring a locally chartered charter school to negotiate with a school district to provide transportation to students eligible for transportation under the provisions of the *Public School Code*;
- allowing a school district, in conjunction with a charter school, to establish a limit for student transportation to and from the charter school site not to extend beyond the school district boundary; and
- allowing a charter school to contract with a school district or other party for provision of certain services, including transportation.

### **APPROPRIATION HISTORY**

Table 1 below outlines legislative appropriations for transportation over the last 11 years (FY 03 through FY 14). The table reflects that transportation funding:

- peaked in FY 09;
  - decreased beginning in FY 10 before seeing increases in FY 13 and FY 14; and
  - for school-owned bus replacements, no appropriations through HB 2 were made in FY 03, FY 04, FY 07, and in FY 11 through FY 14;
- school-owned bus replacements for many of those years were made from several funding sources, primarily capital outlay funds; and
  - for FY 14, \$13.0 million in school-owned bus replacements will be made out of the Public School Capital Outlay Fund.

**TABLE 1. TEN YEAR HISTORY OF TRANSPORTATION FUNDING THROUGH THE GENERAL APPROPRIATION ACT (in thousands)**

| FISCAL YEAR | Operational | Fuel (Before FY 14 was part of Operational) | Rental Fees (Contractor Owned) | School-owned Bus Replacements | Other       | Transportation Total |
|-------------|-------------|---|--------------------------------|-------------------------------|-------------|----------------------|
| 2014        | \$73,759.7  | \$13,546.4                                  | \$11,700.2                     | \$0.0                         | \$1,336.2   | \$100,342.5          |
| 2013        | \$83,874.2  |   | \$11,700.2                     | \$0.0                         | \$1,101.6   | \$96,676.0           |
| 2012        | \$82,339.0  |   | \$11,724.4                     | \$0.0                         | (\$1,133.1) | \$92,930.3           |
| 2011        | \$83,049.3  |   | \$11,578.2                     | \$0.0                         | \$0.0       | \$94,627.5           |
| 2010        | \$86,671.1  |   | \$12,158.6                     | \$541.0                       | (\$329.0)   | \$99,041.7           |
| 2009        | \$97,039.4  |   | \$11,974.1                     | \$468.8                       | \$1,566.0   | \$111,048.3          |
| 2008        | \$91,186.6  |   | \$11,000.4                     | \$420.4                       | \$2,959.5   | \$105,566.9          |
| 2007        | \$91,385.0  |   | \$10,605.1                     | \$0.0                         | \$2,399.4   | \$104,389.5          |
| 2006        | \$87,678.7  |   | \$11,296.5                     | \$176.4                       | \$802.4     | \$99,954.0           |
| 2005        | \$84,717.8  |   | \$12,336.0                     | \$342.6                       | \$840.4     | \$98,236.8           |
| 2004        | \$94,500.0  |   | \$0.0                          | \$0.0                         | \$1,222.2   | \$95,722.2           |
| 2003        | \$92,181.9  |   | \$0.0                          | \$0.0                         | \$0.0       | \$92,181.9           |

**SOURCE:** LESC Yearly Memo to the Legislature

### **PED APPROPRIATION REQUEST METHODOLOGY**

According to information provided by PED, the PED appropriation request considers three funding categories:

- 1) operations and maintenance;
- 2) fuel costs (which is discussed further below); and
- 3) salary and benefits.

For fuel costs the appropriation request considers:

- an average retail diesel price;
- district and contractor purchases of fuel;
- projected increases to base funding of the previous year's expenditures; and
- projected retail and wholesale prices for diesel.

### **CHRONOLOGY OF SCHOOL TRANSPORTATION**

- In 1993, the state transportation system was the subject of a Legislative Finance Committee (LFC) performance audit that found problems with:
  - a lack of meaningful administrative oversight;
  - an inequitable and non-objective funding system; and
  - a recommendation for a thorough overview by an independent agent.

As a result of the LFC audit, at that time the State Superintendent of Public Instruction acknowledged many of the programmatic shortcomings of the transportation.

- In 1994, the Legislature appropriated \$19,800 to establish a joint interim school transportation task force to examine “statutes, constitutional provisions, regulations and court decisions governing public school transportation in New Mexico, including those provisions related to the transportation funding formula, the school bus inspection program, transportation costs and the administration of the public school transportation program...” Recommendations of the task force included the recommendation that the funding formula be placed in statute with school districts receiving revenue similarly to the equalization distribution.
- In 1995, the Legislature placed the formula in statute. Prior to 1995, school transportation funding was administered by a State Board of Education (SBE) regulation. The Legislature also changed the determination of each school district’s school transportation allocation from actual miles traveled per student to the average cost per student. The 1995 formula changes assigned districts to groups according to the average number of students transported per square mile (sparsity/density). Each district’s revenues were based on the group average with an annual adjustment for increased costs.
- In 1997, the Legislature passed a memorial to address school districts’ questions regarding the equitable distribution of funds through the formula. The then State Department of Education (SDE) formed the Public School Transportation Task Force (PSTTF) comprised of 16 representatives from the LESC, the Executive branch, SBE, school district superintendents, transportation directors, and public school transportation contractors. The task force selected Representative W.C. “Dub” Williams as Chairman and Representative Roberto “Bobby” J. Gonzales as Vice Chairman. The SBE allocated \$30,000 from the 1997 special projects appropriation and \$60,000 that was contributed by school districts through the New Mexico State Superintendents Association (NMSSA). The PSTTF hired an independent contractor, DMG-Maximus, Inc. to study the transportation formula.
- In 1999, the Legislature passed two bills to amend the public school transportation funding formula. Both pieces of legislation included the recommendations of the PSTTF, which were also adopted by SBE and the LESC.
  - The first was HB 123, *Change Transportation Funding Formula*, from the regular session that was vetoed by the Governor. In addition to amend the formula, this bill would also have allowed SDE to use any unexpended or unencumbered balance in the school bus equipment appropriation for FY 99 to implement a transportation management information system.
  - The second bill was SB 13, *School Transportation Funding Formula*, from the special session, which the Governor signed on May 21, 1999 (Laws of 1999, Chapter 11). SB 13 was essentially the same to HB 123, with the exception of the transportation management information system. The changes to the public school transportation formula include:
    - ✓ changing the calculation of the transportation formula to what is referred as the modified current formula by eliminating the density groupings and by

incorporating density and additional site characteristics such as special education students, unpaved/unimproved miles, and the total number of school service days in order to better reflect to-and-from transportation expenditures;

- ✓ adopting, through FY 02, a hold-harmless provision at no less than 100 percent but not more than 115 percent of a school district's 1998-1999 transportation expenditures;
- ✓ changing the transportation reserve fund to a non-reverting transportation emergency fund for to-and-from transportation services;
- ✓ reallocating year-end balances from school transportation distributions to allow 50 percent to be deposited in the transportation emergency fund. The remaining 50 percent will be retained by the school district to be used as follows: 25 percent for to-and-from transportation-related services, excluding salaries and benefits; and up to 25 percent for other transportation-related services, excluding salaries and benefits;
- ✓ requiring the State Superintendent of Public Instruction to provide reports on the distributions from the transportation emergency fund to the Governor, the LESC, and the LFC; and
- ✓ adding a repeal clause effective July 1, 2001.

SB 13 contained an emergency clause. The difference between HB 123 and SB 13 was the deletion in SB 13 of a temporary provision that would have allowed for any unexpended or unencumbered balance remaining at the end of FY 99 in the school bus equipment appropriation to be used by SDE to develop and implement a transportation management information system.

- Since at least 2007, the LESC has been concerned with establishing another work group or task force to study school transportation.
- During the 2008 legislative session, LESC-endorsed SJM 12 passed requesting that PED, the LESC, and the LFC, in collaboration with public school district administrators and representatives of private school bus contractors, examine the funding of school transportation contracts to ensure that employees of private school bus contractors have full access to the wages and benefits available to the contractor. The memorial requested a report from PED by October 1, 2008.

However, in December 2008, PED reported in a letter to the LESC that it did not convene such a work group during the 2008 interim, and the department recommended that the Legislature form a task force to study issues related to public school transportation, as was recommended in 1994 by the previous legislative school transportation task force.

- During the 2011 regular session, in the bill analysis for HB 76, PED notes that a legislative task force appointed in 1994 to study school transportation recommended that the issue be revisited every 10 years. In 2009 the Legislature passed LESC-endorsed legislation establishing a Public School Transportation Task Force; however, the bill was vetoed.

- Finally, as discussed above, during the June 2012 interim meeting of the LESC, the LESC established a Transportation Subcommittee to discuss and make recommendations regarding the state's public school transportation program.

## **POTENTIAL CONCERNS WITH TRANSPORTATION FUNDING**

School district personnel have expressed transportation funding concerns to LESC staff in at least two instances. Funding for small districts with less than 1,000 in student membership differs from funding for larger districts because of different application of cost differentials and site characteristics in the transportation funding formula. Some smaller districts have membership that falls close to this threshold.

### ***Dexter Consolidated Schools***

One example of how this funding difference impacted a school district is Dexter Consolidated Schools. From FY 12 to FY 13, the final transportation allocation for Dexter Consolidated Schools:

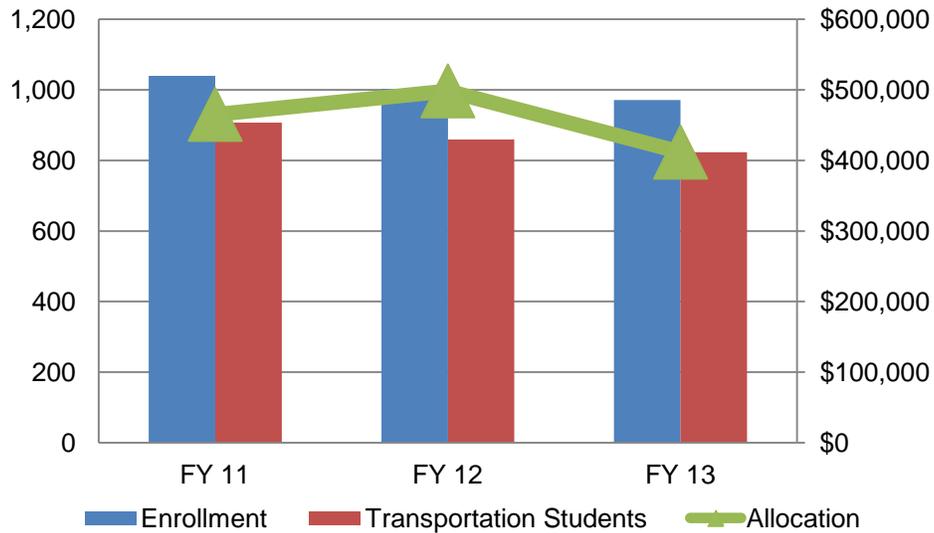
- decreased by about \$86,700, or 17.4 percent of the final FY 12 allocation;
- this decrease was \$58,600 less than the FY 13 initial allocation (see Attachment as provided by the district); and
- according to Dexter Consolidated Schools, PED therefore granted Dexter Consolidated Schools the use of emergency transportation funds for which the district is very appreciative.

Cost differentials are applied to small districts with under 1,000 to help supplement for diseconomies of scale, including:

- separate differentials to supplement number of operating buses; and
- omitting an associated decrease for density applicable to larger districts;
- but these differentials do not appear to have offset the decrease associated with membership.

Although Dexter Consolidated Schools had decreasing enrollment from FY 11 to FY 12, the district's allocation actually *increased* due to favorable adjustments for cost differentials for having above 1,000 membership. When Dexter Consolidated Schools fell below 1,000 membership, then the allocation decreased, despite increased legislative support in FY 13 for public school transportation. One contributing factor for the large decrease in the transportation allocation for Dexter Consolidated Schools between FY 12 and FY 13 was enrollment declining below 1,000 membership that brought its cost differential multiplier from \$1.15 per student to \$0.23 per student.

### Dexter Consolidated Schools Transportation Allocation FY11-13



Source: PED

#### *Other Districts*

There are currently two school districts that are also close to the 1,000 membership thresholds that impact the transportation allocation. These districts are:

- Raton Public Schools (1,105 membership); and
- Tucumcari Public Schools (1,020.5 membership).

Both of these schools have experienced year-over-year declines in enrollment and may wish to consider possible changes in formula funding when finalizing operating budgets for FY 14. Tucumcari Public Schools saw a decline in enrollment between FY 12 and FY 13 of 26.5 MEM. An LESC estimate of the potential impact to Tucumcari Public Schools, based on the FY 14 initial transportation allocation and the FY 13 decline in membership indicates the district could experience a decrease of up to \$126,900 or 29 percent. LESC staff discussed the possibility with Tucumcari Public Schools of this unforeseen impact to the transportation allocation and the Superintendent indicated he is tracking the issue closely.

*Policy Recommendation:* The LESC may wish to consider studying the application of cost differentials and site characteristics in the transportation funding formula to inform a budget-focused session.

| > 1000     |                |              |              |              |             |               |                |                |                  |                |                |              |
|------------|----------------|--------------|--------------|--------------|-------------|---------------|----------------|----------------|------------------|----------------|----------------|--------------|
| < 1000     |                |              |              |              |             |               |                |                |                  |                |                |              |
| ENROLLMENT | TRANS STUDENTS | STUDENTS     | SE STUDENTS  | BUSES        | LIFTS       | AREA          | DENSITY        | MILES          | PER CAPITA       | TOTAL MILES    | DAYS           |              |
|            |                | A            | B            | C            | D           | E             | F (A/E)        |                |                  | G              | H              |              |
| 2012-13    | 971            | 823          | 805          | 18           | 9           | 1             | 685            | 1.175182482    | 147,865.8        | 0.0            | 147,865.8      | 177          |
| EXAMPLE    | 1001           | 823          | 805          | 18           | 9           | 1             | 685            | 1.175182482    | 147,865.8        | 0.0            | 147,865.8      | 177          |
| > 1000     | 1.15           | 2.64         | 0.00         | 5.54         |             |               | 1.11           | (15,537.90)    |                  | \$ 125,346.00  |                |              |
| < 1000     | 0.23           | 0.00         | 97.17        | 0.00         |             |               | 0.97           | 0.00           |                  | \$ 50,463.90   |                |              |
|            |                |              |              |              |             |               |                |                |                  |                |                |              |
|            |                |              |              |              |             |               |                |                |                  |                |                |              |
|            |                |              |              |              |             |               | ANNUAL MILEAGE | ANNUAL DENSITY | PRODUCT B ANNUAL | PRODUCT A BASE | PRODUCT C BASE | ADJ FACTOR   |
|            | STUDENT DAILY  | SE DAILY     | BUS DAILY    | LIFT BUS     | DAILY       | ANNUAL STU    | VARIABLE       | ADJUSTMENT     | VARIABLE         | AMOUNT         | ALLOCATION     | FINAL ALLOCA |
|            | A x VARIABLE   | B x VARIABLE | C x VARIABLE | D x VARIABLE | SUM OF      | SUM x H       | G x VARIABLE   | F x VARIABLE   |                  |                |                |              |
|            | \$ 185.15      | \$ -         | \$ 874.53    | \$ -         | \$ 1,059.68 | \$ 187,563.36 | \$ 143,429.83  | \$ -           | \$ 330,993.19    | \$ 50,463.90   | \$ 381,457.09  | \$ 410,047   |
|            | \$ 190.18      | \$ -         | \$ 874.50    | \$ -         | \$ 1,064.68 | \$ 188,447.73 | \$ 143,996.15  | \$ -           | \$ 332,443.88    | \$ 50,463.90   | \$ 382,907.78  | \$ 411,606   |
|            | \$ 925.75      | \$ 47.52     | \$ -         | \$ 5.54      | \$ 978.81   | \$ 173,249.37 | \$ 164,131.04  | \$ (18,259.87) | \$ 319,120.54    | \$ 125,346.00  | \$ 444,466.54  | \$ 477,779   |
|            |                |              |              |              |             |               |                |                |                  | \$470,210      | \$477,779      | \$7,569      |
|            |                |              |              |              |             |               |                |                |                  | INITIAL        | FINAL          | INCREASE     |
|            |                |              |              |              |             |               |                |                |                  | \$470,210      | \$411,606      | (\$58,604)   |
|            |                |              |              |              |             |               |                |                |                  | INITIAL        | FINAL          | DECREASE     |

**2013 SCHOOL TRANSPORTATION BILLS  
SUPPORTED BY THE PUBLIC EDUCATION DEPARTMENT**

| Bill # | SHORT NAME                                    | DESCRIPTION  | STATUS   |
|--------|---|--|--|
| HB 532 | School District Liens on Certain School Buses | HB-532 aimed at amending current statute to require a school district to file a lien on every contractor-owned school bus under contract. Current statute only requires a school district to file a lien on contractor owned school buses on which the contractor owes money. If a contractor sells their school buses in an instance when their contract is not renewed or terminated, the state may be required purchase new equipment. The average price of a new school bus is approximately \$85.0. This bill is requiring a school district to file a lien on all school buses owned by a contractor to prevent this type of occurrence.   | HTPWC-DP, HEC-DP, PASSED/H (68-0), SJC API.        |
| HB 533 | School Transportation Training Fund           | HB-533 aimed at establishing a newly created fund in the Public School Code. The newly created "School Transportation Training Fund" will be used to provide school transportation workshops and training services to school districts. The PED, School Transportation Bureau (STB), administers three major programs. These programs are the School Bus Driver Instructor Program, Commercial Drivers License Examiner Program, and the School Bus Inspection Program. These programs are required in order to train and examine new bus drivers throughout the state as well as bus inspectors. The establishment of these programs saves the state thousands of dollars.<br><br>All three of these programs require training to school districts and school bus contractors who want to become certified in each of the respective programs. Each of these trainings are weeklong trainings that occur throughout the year in different regions of the state. Currently the PED is charging \$200 per person who attends each of these trainings. These funds are then used to cover the cost of future trainings including any supplies and equipment and travel of STB employees. The funds may also be used for any professional development of PED employees to ensure the department is providing high quality and exceptional training. | HEC-DP, HAFC-DP/a, - PASSED/H (68-0), SFC-DP, API. |
| HB 553 | Charter Schools Transportation Funding        | State chartered charter schools are currently eligible to receive transportation funding if their charter reflects that they are going to provide transportation. These schools can receive funding through the formula just like a regular school district pursuant to 22-8-26 NMSA 1978. The proposed changes in this bill would have changed how state chartered charter schools will receive funding through the formula. The changes will ensure these schools receive sufficient funding but at the same time prevent any over allocating of funds. Essentially the bill would have eliminated state chartered charter schools from receiving the base allocation. The bill also required state chartered charter schools to go through one renewal before they would be eligible for transportation funding.  | HTPWC-DP, HEC-DP/a, PASSED/H (65-0), SEC-DP, API.  |
|        | Prior year funding                            | Although not an executive initiative, the department is supportive of legislation that would provide for the use of prior year ridership data in the formula calculation. Using current year 40th day data is causing year over year swings in funding that may have a negative impact on some districts, particularly those that are experiencing declining enrollment. Using prior year data will allow the formula to absorb some of the fluctuations and give districts one year to adjust for funding decreases.  |  |

ITEM 11:  
Paul Aguilar  
PED