



Legislative Post Audit Performance Audit Report Highlights

K-12 Education: Evaluating Transportation Services Funding

December 2017 • R-17-020

QUESTION 1: Has Transportation Funding Been Allocated to School Districts in Accordance with the Statutory Formula in Recent Years?

Background Information

State law only requires districts to transport students who must travel at least 2.5 miles and do not live in the same town as their school. On the other hand, the state provides transportation funding for all in-districts students who live at least 2.5 miles from their school.

State transportation funding is based on a statutory formula which allocates funding based on districts' estimated, not actual, transportation costs. The state will provide an estimated \$98 million in transportation funding to school districts in the 2017-18 school year through this formula.

- KSDE has correctly executed the numerous calculations in the transportation funding formula for the past five years. These include allocating expenditures between groups of students by distance, plotting per-student expenditures on a chart, determining a curve of best fit, and calculating the transportation FTE for each district. (p.11)
- However, KSDE has continued to implement a funding minimum to the formula which is not authorized in statute. (p.11)
 - A minimum funding amount was removed from statute in 1973 but KSDE has continued to implement it for the most densely populated districts.
 - Over the past five years, KSDE's minimum funding level has provided a total of \$45 million more in transportation funding than allowed by law.
 - State law does not include a minimum funding level for transportation, and it does not give KSDE the authority to create one.
 - KSDE officials told us they continued adding a minimum funding level because some legislators had requested it in previous years.
 - Although there is no provision for a minimum funding level in state law, our findings in Question 2 of this audit suggest a minimum might be appropriate.
- KSDE's methods for counting students do not always align with statute, but the effect on funding is likely minimal. (p.14)
 - State law requires students for whom "transportation was made available" be counted for funding purposes, even if the student did not actually ride the bus.
 - The way KSDE counts students for funding purpose is not consistent with that statutory definition.
 - KSDE counts all students who live at least 2.5 miles from school for funding purposes, but does not make sure transportation services were made available to these students.
 - For students who live less than 2.5 miles from school, KSDE mostly counts students who were actually transported rather than only counting students for whom transportation was made available.
 - KSDE reduces the count of students who only ride the bus one way.
 - However, the difference between the statutory definition and KSDE's method for counting students likely has a minimal effect on funding.

QUESTION 2: How Does the Funding School Districts Receive for Funded Transportation Services Compare to Their Actual Costs?

- The state provides transportation funding to districts based on costs estimated through a formula rather than the districts' actual costs.
- We selected a sample of 16 districts across the state and compared their costs for providing required transportation to the amount of funding they received. (p. 17)
- Overall, our sample districts received less funding than it cost them to transport students, but the results vary by district. (p.17)
 - *We estimated the districts in our sample spent about \$20 million to provide "funded" transportation services, and received about \$16 million in state transportation funding.*
 - *The difference between state transportation funding and the estimated cost of funded services varied significantly across our 16 districts.*
 - *Two large districts in our sample account for most of the difference between funding and costs.*
 - *The mixed results for our sample are not surprising, given that the transportation formula funds districts based on estimated costs rather than actual costs.*
- The funding formula uses student density to estimate transportation costs, but a variety of other factors can also influence costs. (p.20)
 - *The funding formula uses student density to help predict a district's costs because density is strongly related to transportation costs.*
 - *However, the geography of a district and where students live can lead to significant cost differences between districts of similar student densities.*
 - *District policies related to which students the district will transport or how students are assigned to school can also influence costs.*
 - *Last, factors related to bus driver pay and the fuel efficiency of a district's bus fleet can also influence a district's per-student transportation costs.*
- Based on our sample, the current funding formula appears to understate the comparative cost of transporting students who live at least 2.5 miles from school. (p.22)
 - *Under the current funding formula, students who live at least 2.5 miles from school are weighted 2.8 times more heavily than other students when allocating costs.*
 - *For nearly all the districts in our sample, we estimated the comparative cost ratio to transport funded students was significantly greater than the 2.8 ratio currently in statute.*
 - *That is because the vast majority of their total transportation costs were related to transporting students who live at least 2.5 miles from school.*
 - *We estimated a comparative cost ratio of 5.0 might better reflect how districts' costs are allocated between students who live at least 2.5 miles from school and other students.*
 - *We estimate that increasing the comparative cost ratio to 5.0 would increase statewide transportation funding by about \$4 million over 2016-17 transportation funding.*

QUESTION 3: What Types of Transportation Requirements and Funding Mechanisms Do Other Similar States Use to Provide and Fund K-12 Transportation?

- A 2006 Washington audit identified four primary mechanisms for state funding of transportation services. (p.27)
 - *Predictive or efficiency driven formula funding provides funding at a predicted cost level that assumes similar costs for similar districts. Kansas uses this type of formula.*
 - *Block-grant funding provides funding as part of a per-student grant given to school districts.*
 - *Approved-cost funding provides reimbursement for specific costs incurred by transportation programs.*
 - *Per-unit-allocation funding provides a fixed amount for funding based on a specified unit such as miles driven or students transported.*
- Kansas and the five states we reviewed varied as to which students must be transported. (p.28)
 - *Five of the six states we evaluated, including Kansas, require school districts to provide transportation services, but varied in terms of which students must be transported, ranging from all students to no students*
 - *All six states allow districts to use similar methods to provide transportation services. These include having an in-house bus fleet, contracting for busing, or paying for mileage in lieu of busing.*
- Only three states, including Kansas, provide dedicated transportation funding. (p.29)
 - *Kansas, Missouri, and Oklahoma provide dedicated transportation funding, though Kansas provides funding for a narrower group of students that the other states do.*
 - *Three of the states we reviewed did not provide any specific funding for transportation, although two did consider transportation within their general state aid.*

SUMMARY OF RECOMMENDATIONS

We recommended the Kansas Department of Education remove the minimum funding level from its transportation funding allocation beginning with the 2018-19 school year. We also recommended the department develop a process to ensure their counts are consistent with statutory requirements (p.32).

We recommended the Legislature consider reviewing whether a minimum funding level is appropriate for large, densely populated districts. We also recommended the Legislature consider reviewing the comparative cost ratio to determine if a ratio that better reflects districts' actual costs is more appropriate. (p.32).

AGENCY RESPONSE

The department generally concurred with the audit's findings and recommendations. (p.33)

Although we did not request a formal response from the 16 districts we reviewed part of this audit, three districts provided us with informal feedback. All three districts (Wichita, Shawnee Mission, and Dodge City) expressed concerns regarding our recommendations that KSDE discontinue the funding minimum and that KSDE make other changes to align how the department counts students with statute. The districts noted that changes to how the department allocates funding or how it counts students would likely lead to funding reductions that could be detrimental to students. (p. 33)

HOW DO I REQUEST AN AUDIT?

By law, individual legislators, legislative committees, or the Governor may request an audit, but any audit work conducted by the division must be directed by the Legislative Post Audit Committee. Any legislator who would like to request an audit should contact the division directly at (785) 296-3792.

Legislative Division of Post Audit

800 SW Jackson Street
Suite 1200
Topeka, Kansas 66612
Telephone (785) 296-3792
Website: <http://www.kslpa.org/>

Scott Frank
Legislative Post Auditor

For more information on this audit
report, please contact:

Heidi Zimmerman
Heidi.Zimmerman@lpa.ks.gov