

Statewide Transportation Funding Update Sec. 221

MSBO ANNUAL CONFERENCE – APRIL 25, 2024

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Presentation Overview

Recap of What's Happened To Date

- Workgroup Members, Mission & Timeline
- Legislative Language
- Payment Calculations
- Review Process
- Updated Payment Calculation



What's Coming Down the Road?

- Action on Work Group recommendations
- Future funding?



How did we get Here?

Sec. 22k

- The school transportation fund is created as a separate account within the state school aid fund for the purpose of supporting district transportation costs.
- FY '23 supplemental deposited \$350 million from the school aid fund into the school transportation fund

Sec. 22l

- Allocated for 2023-2024 only an amount not to exceed \$125,000,000 to districts for transportation costs.
- Created a formula to distribute these funds (more on that later)
- Allocated for 2022-2023 only an amount not to exceed \$200,000 to an intermediate district for a study on district transportation costs. The intermediate district receiving funds under this subsection must submit a report to the department, the state budget director, the house and senate appropriations subcommittees on school aid, and the house and senate fiscal agencies by February 29, 2024 on the outcomes of the study under this subsection.

Transportation Study Group

Diane Golzynski – Deputy Superintendent, MDE

Troy Hansbarger – School District Consultant, MDE



Mac Dashney – Pupil Transportation Operation and Management Institute. Previously at MDE, former Transportation Director and overall school transportation “guru”

Ken Micklash – Project Consultant. Previously at MDE and former Superintendent

Paul Bodiya – Macomb ISD



Chris Frank – Macomb ISD

Consultants

Augenblick, Palaich and Associates (APA) – Reviewing Calculations, offering suggestions

Transportation Advisory Group

15-members appointed by MDE that are updated on the Study Group’s work and serve in an advisory capacity to the Study Group. Consists of Superintendents, Business Managers, Pupil Transportation Specialists and representatives from organizations associated with pupil transportation. These individuals represent rural areas, suburban areas, and cities in the Lower and Upper Peninsula.

Current Timeline

7/20/23 – School Aid Act (PA 103) created Sections 22k & 22l

10/7/23 – 4094 deadline

11/20/23 – Initial payments made on State Aid Status Report

12/18/23 – School Aid Supplemental (PA 320) clarifies the formula

December & January – 4094 data reviewed by MDE, corrections submitted by 1/31/24

2/29/24 – Study on District Transportation Costs Report submitted to MDE, State Budget Director, SFA, HFA and legislative appropriation subcommittees

4/20/24 State Aid Status Report – Modified payments made

Future formula modifications - ??

Funding Formula

Funding for each district is as follows:

- (a) The department must assign each district **and intermediate district** to a quartile based on the number of riders per square mile and calculate the median cost per rider for each quartile.
- (b) Funds must be distributed to each district **and intermediate district** at the lesser of the quartile's median cost per rider or the actual transportation cost per general education student at the district **or intermediate district** .
- (c) If funds are insufficient to fully fund payments under this section, payments may be prorated on an equal percentage basis.

Payment Recap and Discussion Topics

| | November, 2023 Payments | April, 2024 Payments | Potential Future changes |
|----------------------|--|--|--|
| Quartiles | Based on riders per <u>mile driven</u> | Based on riders per <u>square mile</u> | Medians based on smaller groups |
| 4094 Costs | FY '22 Data | FY '23 Data | Updated 4094 data? |
| Efficiency standards | Not factored in | Not factored in | Create incentives |
| Reimbursement | Up to Median | Up to Median | Linear medians (individual) Accommodate Outliers? |

Median & Quartile Values

| | Original Payments (FY '22 data) | | Revised Payments (FY '23 data) | |
|------------|---------------------------------|-------------|--------------------------------|-------------|
| | Riders / mile driven | Median Cost | Riders / sq. mile | Median Cost |
| Quartile 1 | < 0.0025 | \$2,197 | < 2.4 | \$2,069 |
| Quartile 2 | 0.0025 to 0.0036 | \$1,607 | 2.4 to 6.7 | \$1,700 |
| Quartile 3 | 0.0037 to 0.0055 | \$1,257 | 6.8 to 25.4 | \$1,255 |
| Quartile 4 | > 0.0055 | \$1,024 | > 25.4 | \$1,159 |

Transportation Costs & Payments

| | FY '22 data | FY '23 data |
|--|---------------|---------------|
| Total G.E. 4094 Costs | \$558,462,000 | \$605,640,000 |
| 4094 Costs of eligible districts | \$520,580,000 | \$602,921,000 |
| Total costs eligible for reimbursement up to applicable median | \$455,391,000 | \$523,616,000 |
| Prorated Reimbursed Costs | \$125,000,000 | \$125,000,000 |
| Proration % | 27.45% | 23.87% |

Sample 22l Calculations

| | <u>District A</u> | <u>District B</u> | <u>District C</u> |
|--|----------------------|-----------------------|-----------------------|
| Riders / Square Mile | 1.75 | 0.40 | 2.05 |
| 4094 Costs | 375,000 | 600,000 | 750,000 |
| Riders | <u>300</u> | <u>300</u> | <u>300</u> |
| Cost / Rider | <u>1,250</u> | <u>2,000</u> | <u>2,500</u> |
| Median Cost / Rider | <u>2,000</u> | <u>2,000</u> | <u>2,000</u> |
| Reimbursed Cost / Rider (lower of actual or median) | 1,250 | 2,000 | 2,000 |
| Riders | <u>300</u> | <u>300</u> | <u>300</u> |
| Costs Eligible for Reimbursement | 375,000 | 600,000 | 600,000 |
| Proration % | <u>25%</u> | <u>25%</u> | <u>25%</u> |
| 22l Reimbursement | <u><u>93,750</u></u> | <u><u>150,000</u></u> | <u><u>150,000</u></u> |
| % of Costs Reimbursed | 25% | 25% | 20% |

Review Process

I have transportation costs.... Why didn't I receive a payment?

- To be eligible a district needed to report all of the following:
 - Expenditures
 - Riders
 - Miles
 - Vehicles

MDE reviewed the initial 4094 data submitted for FY '23. This review included the following items:

- Districts missing some of the required data noted above was notified and given the opportunity to provide missing data.
- Numerous data checks were performed to identify instances where data anomalies appeared to be present. That data was reviewed and, if necessary, updated.
- Most reviews were completed by the end of January, with requested reviews/modifications completed and submitted at that time. Additional reviews occurred through the end of March.

Review Process

Common Issues Noted During the Review Process

- Listing salary costs, but omitting staffing FTEs.
- Not including the number of buses/vehicles used to transport students.
- Reporting high costs in various areas which required justification.
- Errors with reported bus amortization costs.
- Omitting total annual miles driven.
- Omitting riders per the count week.
- Listing unallowable new bus purchase expenditures on the SE-4094 which had to be moved to the SE-4107.

What Does The Future Hold??

Transportation Cost Study Report submitted 2/29/24

- Recap Statewide transportation costs
- What have we learned to date
- What questions remain and require more time to study
- What recommendations do we have to the reimbursement formula / methodology

What Changes Could Be Made to the Formula?

- How do we Incentivize Best Practices & Efficiency? (i.e. Not Reimburse Wasteful Spending..)
- How do we avoid penalizing those districts that currently operate efficiently and still have costs that are currently above the median?
- Should ALL transportation costs be reimbursed?
- Are ALL transportation costs currently being captured?
- How do we avoid Bus Amortization distorting a district's expenditures from year to year (which impacts not only their costs/rider, but could also impact the quartile they are in..)
- Are all revenues related to transportation being accounted for?

Study on District Transportation Costs

Prepared for the
Michigan Department of Education
State Budget Director
House Appropriations Subcommittee on School Aid and Education
Senate Appropriations Subcommittee on PreK-12
and
House and Senate Fiscal Agencies

By
Macomb Intermediate School District



Current Status Report
Released: February 29, 2024

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Issues Uncovered and Questions Asked

Riders

1. How is a Rider defined?
2. Should Riders be adjusted for other activities?
3. Should riders/miles related to non-resident students of an LEA be counted on the SE-4159-RL or SE-4159-SL?

Miles

1. How do you account for miles for students transported by taxi related services or public transportation and/or combination vehicles?

Issues Uncovered and Questions Asked

Costs/Vehicles

1. How should LEAs and PSAs report and expense partial and or total funding of the LEA's and PSA's pupil transportation operation by funds provided outside of a LEA's and PSA's primary transportation budget, e.g., ESSER grant, Homeless grant, EPA & state funds for electric school buses, GSRP grant, summer school, before and after school grant funds, School Bus Driver Safety Instruction grant and reimbursement from other LEAs, PSA, ISDs or agencies?
2. Should state grants that include a transportation component, instead, have that component be included under allowable costs as part of the regular education transportation formula?
3. Should Non-school Bus Vehicles/Costs be considered allowable costs?

Issues Uncovered and Questions Asked

Costs/Vehicles

4. How should we account for separate components that are added to a school bus such as cameras and radios at the time of placing into service?
5. How should leased vehicles be treated on the SE-4094?
6. How do we differentiate costs billed/reported by third party organizations that may include costs otherwise deemed disallowed if reported by LEA and PSA provided operations?
7. How do we differentiate costs for those organizations (primarily contracted staff) not contributing to the Retirement Unfunded Actuarial Accrued Liability (UAAL) (retirement related costs over and above the employer Normal cost) for transportation related operations?

Issues Uncovered and Questions Asked

Costs/Vehicles (cont.)

8. Should PSA's be eligible to receive Regular Education Transportation Funding similar to LEAs?
9. Who should be responsible for transportation of resident nonpublic students when another LEA or PSA is providing shared-time services to the nonpublic school instead of the LEA where the nonpublic school is located?
10. What year's costs are we actually funding/distributing on?

Changes to be Considered

1. Updating of current transportation reports and instructions ie., SE-4094, SE-4107, and SE-4159-RL and SE-4159-SL.
2. Deducting other revenue sources received for transportation costs or bus purchases.
3. Defining allowable costs.
4. Determine if all transportation costs should be reimbursed including: extracurricular trips, athletic trips, etc.
5. Adjusting for privatization related costs and Retirement UAAL
6. Consider whether PSAs should be eligible to receive Regular Education Transportation Funding similar to LEAs.

Changes to be Considered

7. Revise the funding formula from four quartiles to eight quantiles, utilizing the median of each quantile to create a line equation which creates a unique value for each LEA.
8. Determine ways to avoid penalizing LEAs that operate efficiently and still have costs above the median.
9. Modify shared-time rules or rectify existing responsibilities related to transportation of resident/LEA nonpublic school students.
10. Analyze LEA and PSA bus amortization distortions from year to year. Bus purchases in varied years could impact the quartile an LEA and PSA are placed in, thus impacting funding.
11. Explore ways to incentivize Best Practices and efficiencies.

Issues Requiring Further Study

1. Review Policy items surrounding Allowable Costs, Riders and Miles.
2. Survey LEAs regarding anomalies.
3. Efficiency Adjustment for Rational Economic Decision Making.
 - Vehicle purchases
 - Fuel purchasing
 - Parts purchasing
 - Routing software