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Transportation Funding in Arkansas' Schools

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Summary Points

- School districts may receive transportation funding from local, state, and federal funding; but the majority of funding comes from local and state sources.
- There are many different methods that states use to allocate transportation funding; the most common are reimbursement formulas, where the state provides at least a portion of transportation funding to districts.
- In Arkansas, transportation funding is allocated to districts as a part of the foundation formula.
- In 2012-13, the foundation formula accounted for \$309.90 per pupil for transportation funding; however, on average, districts spent \$452.06 per pupil.
- In 2006 and 2014, Picus Odden & Associates recommended that the Arkansas Legislature change the way transportation funding is allocated to districts to account for the variation in transportation costs across the state.

Transportation Funding in Arkansas' Schools

In a report to the Arkansas Joint Senate and House Education Committee meeting in September 2014, Picus Odden & Associates recommended that the Legislature change the state's transportation funding system. Currently, transportation funding is distributed from the state to districts on a per pupil basis as a part of the unrestricted foundation formula. In doing so, the system does not account for the variation in costs of transportation for districts across the state; therefore, Picus Odden & Associates recommended that the state's transportation funding structure be changed.

The purpose of this policy brief is to highlight transportation funding in Arkansas and across the nation and provide recommendations regarding transportation funding models for Arkansas' policymakers to consider.

Transportation Funding Landscape

According to the most recent data from National Center for Education Statistics (NCES), approximately 25 million out of 46 million K-12 public school students used school transportation in the 2007-08 school year (54.6%). With over half of United States' public school students using public school transportation, school transportation funding becomes an important issue.

Local, state, and federal governments are involved in public school transportation. To ensure equity and safety in school

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transportation, all three levels of government have established rules and regulations regarding school transportation vehicles, operations, and procedures.

Funding for school transportation encompasses all costs associated with transporting students to and from school, including vehicles, staffing, operations, and maintenance.

Funding for school transportation is primarily a district and state responsibility. However, the federal government is involved with the funding of transportation for three specific student populations: students with disabilities, homeless students, and students attending failing schools who wish to transfer to a higher-performing school (as provided for under No Child Left Behind).

There are many different ways that states allocate funding to districts for transportation. Transportation funding can be distributed to districts through the state's funding formula or through categorical funding (a separate block of funding aside from the funding formula). The amount of funding distributed is generally calculated in one of the following ways:

- **Per pupil:** The state allocates a uniform amount to districts per pupil for transportation.
- **Density formula:** The state allocates transportation funding to dis-

tricts based on bus route miles, pupils per bus route mile, or square miles in the school district.

- **Equalized reimbursement:** The state allocates transportation funding to districts based on each district's transportation expenditures with an equalization feature to equitably distribute funding among districts.
- **Allowable reimbursement:** The state only allocates transportation funding to districts for approved costs.
- **Full cost reimbursement:** The state allocates the full cost of transportation funding to districts.

The most common approaches are reimbursement formulas, whether equalized, full cost, or allowable, where the state provides at least a portion of transportation funding to districts based on what they spend. Some states, such as California, partially reimburse districts

for transportation costs, while a few states, such as Wyoming, fully reimburse transportation costs. Among the states that partially reimburse districts, some use weights (through a density formula) to account for variation in district spending. The methods to weight funding vary; for example, Florida weights transportation funding by a district's percentage of eligible students (including low-income students), while Arizona weights transportation funding based on average route mileage per eligible student. There are at least three states in which no state funding is allocated to districts for transportation.

Transportation Funding in Arkansas

In 2003-04, in reaction to the Arkansas Supreme Court's *Lake View School District v. Huckabee* decision regarding adequacy and equity in education funding, the Arkansas General Assembly established a new funding system based on a foundation formula. While the amounts allocat-

State Spotlight: Arizona

In this section, Arizona's state transportation funding system is highlighted as an example of a system that accounts for variation in transportation costs between districts.

How does the state allocate transportation funding?

In Arizona, transportation funding, denoted as Transportation Support Level (TSL), is allocated to districts **with a density formula based on the average daily route mileage per eligible pupil transported**. Students are classified as eligible under statutorily set requirements: elementary students are eligible if they reside more than one mile from the school facility or meet economic eligibility requirements (as determined by free-or-reduced priced lunch status), high school students are eligible if they reside more than one and a half miles from the school, and students with disabilities are eligible regardless of location. The TSL amount is determined by multiplying the average daily route mileage per eligible student from the prior year by a statutorily set support level. The statutorily set support level varies based upon average route mileage and is adjusted each year. In 2013-14, districts receive \$2.46 per route mile for districts with an average of 0.5 route miles or less per transported student, \$2.01 for 0.501 to 1 mile, and \$2.46 for greater than one mile. The TSL formula is adjusted to provide more funding to small school districts (districts with fewer than 600 students) that transport at least one-third of students and have an average daily route mileage per transported pupil greater than one mile.

In addition, Arizona provides additional funding for transportation to districts, including for extended school year services for students with disabilities. Furthermore, to allow districts to raise additional funding for transportation costs, 1980 school reform measures established the Transportation Revenue Control Limit (TRCL), which allows districts to raise additional property taxes to generate revenue for transportation costs above the TSL amount.

Does the state provide transportation funding for school choice?

Funding is allocated differently for charter schools than for traditional school districts in Arizona. Charter schools do not receive transportation funding from the foundation formula; instead, they receive Additional Assistance funding, a simple, non-weighted per-pupil dollar amount set yearly by the legislature.

Arizona law also allows for public school choice, in which traditional public school districts may allow nonresident students to enroll in districts. Districts are not required to provide transportation for nonresident students enrolling under public school choice, except for nonresident students with disabilities. Districts can provide transportation for nonresident students who are eligible to receive free-or-reduced price lunch (FRL), but transportation can only be provided within twenty miles of the school of attendance or a pickup point.

ed to districts have changed, the basic structure of the system has remained unchanged since 2003-04. Arkansas' foundation formula distributes a minimum allowance per pupil that is determined by a matrix, which assigns per-pupil dollar amounts for different educational costs. However, the matrix is not mandated, meaning that districts are not required to allocate funding according to the matrix.

In Arkansas, transportation funding is allocated to districts through the foundation formula. In the original foundation formula, transportation was identified as a "carry forward" output, a category for "miscellaneous expenditures that are not otherwise identified in the matrix." However, in 2006, Picus & Odden recommended that "carry-forward" amounts be separated into three line items: operations and maintenance, central office expenses, and transportation. Therefore, beginning in the 2007-08 school year, transportation became a specific line item on the matrix. **By allocating transportation funding through the foundation formula, the state allocates a flat per pupil amount to each district.**

In addition to the per-pupil transportation funding from the foundation formula, some districts receive transportation funding through isolated funding, desegregation funding, and federal funding. In 2007, Act 1052 provided for certain districts to receive special needs isolated transportation funding if they receive special needs isolated funding. In 2012-13, eleven districts received a total of \$341,833 each. Additionally, in 2011, the General Assembly recognized variation in district spending for transportation and created a fund to provide supplemental transportation funding to districts; however, the funding (<\$500,000) was only allocated in the 2012-13 school year. Desegregation funding is allocated for transportation of students to magnet schools in the Little Rock, North Little Rock, and Pulaski County Special school districts; although, due to the case ending, this funding will only be provided through the 2017-18 school year. Districts can also receive funding for transportation from federal sources.

In Arkansas, charter schools receive foundation funding and categorical funding from the state through the same mechanisms that distribute funding to traditional school districts; however, charter schools are not eligible to generate funding through property taxes.

Transportation Expenditures

Tables 1 and 2 on the next page highlight transportation expenditures and matrix levels over time in traditional and charter schools in Arkansas. Transportation expendi-

tures include "activities concerned with the transporting of students to and from school, including managing transportation services such as operating, repairing, cleaning, painting, fueling, and inspecting vehicles for safety" (Annual Statistical Report).

As Table 1 illustrates, transportation funding has accounted for 3.93 to 4.88 percent of net current expenditures in traditional school districts since 2004-05. Since 2004-05, the per-pupil amount has increased, as total expenditures have increased as well. While the amount of funding denoted by the matrix for transportation has increased since 2007-08 (when it first became a line item), districts continue to spend more than accounted for in the matrix. **Moreover, there are large discrepancies in per pupil spending on transportation among districts in any given year.** For example, in 2012-13, Hillcrest School District was the highest spending traditional school district at \$1,277 per pupil, while the West Memphis School District was the lowest spending traditional school district at \$147 per pupil. This variation in district expenditures is a part of a current lawsuit in Arkansas.

As Table 2 illustrates, open-enrollment charter schools have spent less than traditional school districts on student transportation over time. In 2012-13, three open-enrollment charter schools spent no funding on transportation, and eight charter schools spent less than \$100 per pupil (out of nineteen open-enrollment charter schools in the state in the 2013-14 school year).

Due to the variation in transportation costs, in a 2006 report to the Arkansas General Assembly, Picus Odden & Associates recommended a different approach to transportation funding; however, the General Assembly did not respond to the recommendation. The recommendation called for transportation funding to be separate from the general funding model with "a method of funding transportation costs that will vary by district depending on district characteristics (i.e. population density, road conditions, distances and number of students transported, etc.)." However, instead of following the recommendation, the General Assembly authorized transportation funding as a line item in the matrix. **Additionally, in September 2014, Picus Odden & Associates presented the same recommendations.** Consequently, the Bureau of Legislative Research created a model that accounts for variation in spending and attempts to reimburse school districts for actual transportation expenditures.

Table 1. Transportation Expenditures, Traditional Public Schools, in Arkansas, 2004-05 to 2012-013

Year	Transportation Expenditures	% Trans. \$ of Net Expenditures	Avg. Per Pupil Transportation Exp. ¹	Matrix Level	+/- Matrix Level	District: Minimum \$ per pupil	District: Maximum \$ per pupil
2012-13	\$198,701,214	4.88%	\$452.06	\$309.90	+\$142.16	\$146.57	\$1,277.22
2011-12	\$196,344,334	4.83%	\$447.13	\$303.80	+\$143.33	\$114.52	\$1,115.32
2010-11	\$192,543,114	4.76%	\$442.77	\$297.50	+\$145.27	\$127.19	\$1,593.02
2009-10	\$180,394,549	4.58%	\$417.58	\$291.70	+\$125.88	\$90.93	\$1,127.53
2008-09	\$163,352,402	4.55%	\$368.87	\$286.00	+\$82.87	\$106.04	\$1,059.83
2007-08	\$176,714,261	4.94%	\$397.50	\$286.00	+\$111.50	\$114.27	\$991.88
2006-07	\$167,829,950	4.84%	\$378.44	-	-	\$82.12	\$1,051.20
2005-06	\$153,032,725	4.60%	\$340.71	-	-	\$95.18	\$909.05
2004-05	\$122,288,865	3.93%	\$267.42	-	-	\$62.15	\$644.30

Table 2. Transportation Expenditures, Open-Enrollment Charter Schools, in Arkansas, 2004-05 to 2012-013

Year	Transportation Expenditures	% Trans. \$ of Net Expenditures	Avg. Per Pupil Transportation Exp. ¹	Matrix Level	+/- Matrix Level	District: Minimum \$ per pupil	District: Maximum \$ per pupil
2012-13	\$1,110,266	1.91%	\$127.92	\$309.90	-\$181.98	\$0.00	\$700.93
2011-12	\$865,758	1.59%	\$106.60	\$303.80	-\$197.20	\$0.00	\$835.41
2010-11	\$684,576	1.50%	\$89.95	\$297.50	-\$207.55	\$0.00	\$861.31
2009-10	\$641,075	1.67%	\$118.11	\$291.70	-\$173.59	\$0.00	\$779.50
2008-09	\$299,768	1.06%	\$89.06	\$286.00	-\$196.94	\$0.00	\$535.39
2007-08	\$286,610	1.75%	\$125.61	\$286.00	-\$160.39	\$0.00	\$907.83
2006-07	\$202,200	2.06%	\$218.51	-	-	\$0.00	\$643.25
2005-06	\$158,748	1.80%	\$163.65	-	-	\$0.00	\$549.64
2004-05	\$113,521	1.36%	\$125.20	-	-	\$0.00	\$520.23

Deer-Mt. Judea Court Case

In 2010, the Deer-Mt. Judea School District (a district that served approx. 365 students in the 2012-13 school year) sued the state over the adequacy of the state's school funding system. In two original cases, the district argued that the state failed to make "necessary adjustments to maintain an adequate education system" (*Deer-Mt. Judea School Dist. v. Kimbrell*). The two cases were consolidated into one that specified seven ways in which the state has failed to maintain adequacy: by not responding to the 2008 and 2010 adequacy reports and by not adequately addressing cost-of-living adjustments, transportation funding, facilities funding, small and isolated schools funding, funding for low-income students (National School Lunch Act), and the state's teacher development and salary system.

In *Deer-Mt. Judea School Dist. v. Kimbrell*, the district claims that there is "no rational basis to support the State's method of funding student transportation," as it does not account for variation in district expenditures and is based on outdated data. Deer-Mt. Judea has ranked among the top five highest-spending districts for transportation since transportation expenditures have been publically tracked in 2004-05. In 2011-12, the district spent \$1,115 per pupil (the highest in the state).

In 2011, the Pulaski County Circuit Court dismissed the claims by Deer-Mt. Judea, noting that the claims either were or could have been issued in the state's previous class action school funding case, *Lake View School District No. 25 v. Huckabee*. However, Deer-Mt. Judea appealed the case, and in 2013, the Arkansas Supreme Court ruled on the case.

¹ Average per pupil transportation expenditures per district based on enrollment figures for that current year (includes all pupils; not eligible or transported pupils only). Funding is allocated by average daily membership (ADM) from the previous year; but here, enrollment figures were used to estimate how much is spent per pupil each year.

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The Arkansas Supreme Court reversed the Circuit Court's decision on four of the seven claims, including the adequacy studies, cost-of-living adjustments, facility funding, and transportation funding. The other three claims were dismissed because they were considered to be covered under the previous *Lake View* case. The Supreme Court ruled that, while transportation was addressed in the previous *Lake View* case, the General Assembly "chose not to adopt these recommendations," resulting in the state not adequately addressing transportation funding. Currently, the case is back in the Circuit Court.

Conclusion and Policy Recommendations

Across the nation, the methods that states use to calculate and distribute funding for school transportation vary. Many states recognize that transportation costs vary among districts and account for differences through density formulas. Other states, like Arkansas, simply provide funding on a per pupil basis.

In Arkansas, transportation expenditures vary by district; however, districts receive an equal amount per pupil for transportation funding under the state's foundation formula. The average district transportation expenditures have exceeded the amount accounted for in the foundation formula since the creation of the formula. **Therefore, as recommended by Picus and Associates in 2006 and 2014, Arkansas should consider an approach to transportation funding that recognizes variation in districts.** The approach should take into account all variables that impact transportation costs, including mileage, density, population and demographics, students with disabilities, bus replacement, and staffing. Moreover, Arkansas should revisit the role of transportation funding for charter schools. During a renewal hearing for a Little Rock-area charter school in Spring 2014, the State Board of Education discussed the demographics of the school and encouraged the school to attract a more diverse student body (the school serves a predomi-

nantly non-minority and non-low-income student body). Representatives from the school stated that they would like to have a more diverse student body (racially and socio-economically), but the lack of additional funding for transportation made it difficult to serve this population, who typically rely on school-provided transportation to get to school. Therefore, the state should continue to review and discuss whether charter schools need additional funding for transportation.

In the months and years to come, it will be important for Arkansas policymakers and education officials to determine whether the state has a fair system to fund school transportation for Arkansas' school districts. To do so, it will be important to consider how other states fund school transportation and account for variation in spending among districts.

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