



**Education and Local Government Interim Committee**  
**64th Montana Legislature**

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TO: Education and Local Government Interim Committee  
FROM: Pad McCracken, Research Analyst  
RE: School Transportation  
DATE: June 10, 2016

At the April committee meeting you had several questions in regard to your consideration of options to address a recommendation in the Legislative Audit Division's 2013 School Transportation Funding and Safety Performance Audit Report. The report's third recommendation was that the Montana Legislature review the effects of the statutory reimbursement schedule to determine if changes are necessary to promote efficiency, simplicity, or equity. The report identified a potential issue with the current reimbursement schedule incentivizing the purchase of larger capacity school buses than are necessary.

1. You requested information on expenditures related to transportation.

Attached to this memo is a table titled "Transportation Fund Expenditures for FY 2015 from OPIEXP15" breaking down expenditures by dollar and percent of total. There are some notes following several "Object Code Descriptions" in the far left column that may clarify the expenditures. The percentages in bold total more than 95% of all expenditures. I will go over this table with you at the June meeting.

2. You asked about any audit report findings related to private bus contractors.

The audit examined whether districts follow state law and rules regarding procurement procedures for school bus transportation contracts and concluded that "existing controls over bus service contracting provide reasonable assurance that requirements are generally met." The section covering this is on pages 21-22 of the [report](#). The audit reported that in the 2011-2012 school year, there were 1,275 district-owned buses and 1,637 contracted buses operating. The table referenced in #1 above shows that close to half of total expenditures out of the transportation fund (about \$36.5 million of the \$78 million total) were for "other purchased services," an accounting code that includes private bus contractors.

3. You asked about the costs of adding seat belts to buses.

I reached out to NCSL and Donell Rosenthal, school transportation director at OPI, on this question. Various reports have estimated a cost range of \$7,000 to \$11,000 to add 3-point restraints to a bus at the time of purchase. The actual cost is dependent on number of seats and seat style/configuration. Retrofitting existing buses with seatbelts raises a number of issues. If the bus was manufactured to be seat-belt ready, the cost may be similar to adding belts to a new bus at time of purchase, but older buses likely are not seat-belt ready. If the seats or attachment points or bus floor itself are not structurally sound enough to withstand the added loading of a belted passenger in a crash, the cost of properly retrofitting can quickly approach the cost of a new bus.

The audit report did raise the issue that because Montana's current reimbursement system is based on passenger capacity and adding seat belts may reduce capacity, a financial disincentive for the addition of seat belts may result.

4. You asked about cost differences—purchase and operational—based on capacity.

The audit report addressed this issue and found that the purchase price of a 66-passenger model was only \$4,000 more than a 42-passenger bus and that the two had roughly the same operational costs and equivalent fuel economy. When I spoke with the sales office of a bus retailer, I was told that apart from the largest capacity (80+) buses, purchase price differences were more dependent on engine configuration and fuel, handicap accessibility, and other design choices than capacity, and that operation and maintenance costs generally vary more based on route factors (number of stops, miles on gravel vs. pavement, hilliness, etc.) than on passenger capacity.

5. You requested fiscal analyses of two possible proposals for modifying the current reimbursement schedule:
  - a. Compressing the current capacity-based reimbursement schedule in the following manner (current law per-mile reimbursements ~~stricken~~):
    - i. (i) ~~\$0.95~~ \$1.20 for a school bus with a rated capacity of not more than 49 passenger seating positions;
    - ii. (ii) ~~\$1.15~~ \$1.30 for a school bus with a rated capacity of 50 to 59 passenger seating positions;
    - iii. (iii) ~~\$1.36~~ \$1.40 for a school bus with a rated capacity of 60 to 69 passenger seating positions;
    - iv. (iv) ~~\$1.57~~ \$1.50 for a school bus with a rated capacity of 70 to 79 passenger seating positions; and
    - v. (v) ~~\$1.80~~ \$1.60 for a school bus with 80 or more passenger seating positions.
  - b. Replacing the current capacity-based reimbursement schedule with a flat rate of \$1.66/mile for all buses regardless of capacity.

First a quick review of how districts establish transportation fund budgets and estimate state and county reimbursements:

- Districts determine bus routes based on where students reside.
- Districts submit these routes to the county transportation board for approval.
- Districts enter route information for each approved route in a transportation budget spreadsheet including:
  - Bus route number
  - Miles per day
  - Number of operating days
  - VIN and license number
  - Rated passenger capacity
  - Eligible and non-eligible ridership
- The spreadsheet calculates projected state and county on-schedule reimbursement based on the capacity- and mileage-based schedule of reimbursements in 20-10-141 (the state and counties split the total reimbursement 50-50).
- The district then determines any amount above the on-schedule reimbursement it requires to fund its transportation budget for the year. This amount is funded by the district through available nonlevy revenues and a permissive levy if needed (see attached graphic “School Transportation Funding Big Picture”)

Compressing the schedule as shown in 5(a) above would result in slightly reduced state and county reimbursements. Based on FY 2015 route and bus information, the state reimbursement would change from just over \$12 million to just under \$11.9 million. Assuming that district budgets would remain the same regardless of state and county reimbursement, this reduction would mean a slight overall increase in district transportation levies. The levy increase (or decrease) in an individual district would vary based on multiple factors including its bus capacities and availability of nonlevy revenue. The committee could adjust the compressed rates and therefore local tax impacts.

The \$1.66 flat-rate option 5(b) would increase the state share, again based on FY 2015 data, by about \$750,000, from just over \$12 million to \$12.75 million. This would be matched by an identical increase in the county share and result in generally lower district property taxes for transportation, but perhaps higher county property taxes. Again, the impact on taxpayers in a specific district will depend on a district’s bus capacities and on the revenue dynamic within the district and county.

I will go over this memo and the attached table and graphic at the meeting. If there is more info you need, please let me know.

Transportation Fund Expenditures for FY 2015 from OPIEXP15									
	FunctionCode	Description							
ObjectCodeDescription	Support Services - Students	Support Services - General Administration	Support Services - School Administration	Support Services - Business	Operation and Maintenance of Plant Services	Student Transportation Services	Facilities Acquisition/ Construction Services	Operating Transfers to Other Funds	
Personal Services - Salaries (includes district employee bus drivers)	6,228	3,079,467	1,461,333	1,833,870	265,383	18,240,277			24,886,558
Personal Services - Employee Benefits	39	467,825	192,470	242,744	47,653	3,387,873			4,338,603
Purchased Professional and Technical Services (consultants; drug tests)		10,039		5,659	3,063	1,027,569			1,046,329
Purchased Property Services (maintenance by non-district employees)			109		347,068	3,022,422			3,369,599
Other Purchased Services (includes private bus contractors)		37,340	2,810		83,205	36,542,637			36,665,991
Supplies and Materials (fuel)		10,906			52,213	5,785,163			5,848,282
Property and Equipment Acquisition					85,593	304,012	638,581		1,028,186
Dues and Fees		1,507		170		43,739			45,416
Other Expenditures		388				35,227			35,615
School Safety Transfer to Building Reserve Fund								650,330	650,330
	6,267	3,607,472	1,656,722	2,082,442	884,177	68,388,919	638,581	650,330	77,914,911
	FunctionCode	Description							
ObjectCodeDescription	Support Services - Students	Support Services - General Administration	Support Services - School Administration	Support Services - Business	Operation and Maintenance of Plant Services	Student Transportation Services	Facilities Acquisition/ Construction Services	Operating Transfers to Other Funds	
Personal Services - Salaries (includes district employee bus drivers)	0.01%	3.95%	1.88%	2.35%	0.34%	23.41%	0.00%	0.00%	31.94%
Personal Services - Employee Benefits	0.00%	0.60%	0.25%	0.31%	0.06%	4.35%	0.00%	0.00%	5.57%
Purchased Professional and Technical Services (consultants; drug tests)	0.00%	0.01%	0.00%	0.01%	0.00%	1.32%	0.00%	0.00%	1.34%
Purchased Property Services (maintenance by non-district employees)	0.00%	0.00%	0.00%	0.00%	0.45%	3.88%	0.00%	0.00%	4.32%
Other Purchased Services (includes private bus contractors)	0.00%	0.05%	0.00%	0.00%	0.11%	46.90%	0.00%	0.00%	47.06%
Supplies and Materials (fuel)	0.00%	0.01%	0.00%	0.00%	0.07%	7.42%	0.00%	0.00%	7.51%
Property and Equipment Acquisition	0.00%	0.00%	0.00%	0.00%	0.11%	0.39%	0.82%	0.00%	1.32%
Dues and Fees	0.00%	0.00%	0.00%	0.00%	0.00%	0.06%	0.00%	0.00%	0.06%
Other Expenditures	0.00%	0.00%	0.00%	0.00%	0.00%	0.05%	0.00%	0.00%	0.05%
School Safety Transfer to Building Reserve Fund	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.83%	0.83%
	0.01%	4.63%	2.13%	2.67%	1.13%	87.77%	0.82%	0.83%	100.00%

# School Transportation Funding Big Picture

with statewide FY 2015 amounts from OPIREV15 and County FP6b2015 reports  
(rounded and based on revenue received, not budgeted amounts; \$83 million total)

