June 22, 2011

TO: Marty Brown, Director, Office of Financial Management  
Representative Sharon Tomiko Santos, Education Committee  
Representative Kathy Haigh, Education Appropriations and Oversight  
Representative Ross Hunter, Ways and Means Committee  
Senator Rosemary McAuliffe, Early Learning and K–12 Education  
Senator Ed Murray, Ways and Means

FROM: Randy I. Dorn, Superintendent of Public Instruction

RE: Annual report on the allocation basis for student transportation

Revised Code of Washington (RCW) 28A.160.180 (4) (Effective until September 1, 2011) requires the superintendent of public instruction to submit each year “a report outlining the methodology and rationale used in determining the allocation rates to be used the following year”. However, the new student transportation funding system as provided by Engrossed Substitute House Bill 2261 (2009) goes into effect on September 1, 2011. The new language requires “a report outlining the methodology and rationale used in determining the statistical coefficients for each site characteristic used to determine the allocation for the following year.”

The Student Transportation Allocation Reporting System (STARS) uses a regression analysis to determine each school district’s student transportation operations allocation. The regression analysis process determines coefficients by comparing particular characteristics to statewide reported transportation expenditures. The allocation for each school district is then calculated using the statewide coefficients and the individual school district data.

For the 2011-12 school year, the process used to determine the coefficients is constrained by the fact that the reported expenditures for school districts operating under the new system’s reporting requirements will not be available until December 2012. Therefore, for the initial implementation process, the Office of Superintendent of Public Instruction (OSPI) will use the data collected in the fall report for the 2011–12 school year and the transportation expenditure data from the 2010–11 school year. The expenditure data for the 2010–11 school year will not be available until December 2011. At that time, OSPI will perform the regression analysis to determine the coefficients used to calculate the student transportation allocations for 2011–12. The adjustment in allocation will occur at the end of February and will include the data collected in the winter report.
In future years, the coefficients will be determined using a complete set of reported data (the prior school year’s fall, winter and spring reports) and the corresponding prior school year’s reported transportation expenditure data.

The student transportation data elements required to be reported by school districts are:

1. Basic program student count:
   a. Students riding basic program school buses.
   b. Students riding school buses from stops within the designated walk area.
   c. Students riding public transit.

2. Special program student count:
   a. Students riding special education school buses.
   b. Students riding gifted program school buses.
   c. Students riding bilingual program school buses.
   d. Students riding early education (district operated Head Start, district operated Early Childhood Education Assistance Program and other district operation early education program) school buses.
   e. Students provided with transportation in compliance with the requirements of the McKinney-Vento Homeless Education Act.

3. The location of school bus stops for home-to-school transportation is reported and used to determine the average distance between each school bus stop and the corresponding destination school or learning center.

4. The number of kindergarten routes operated.

5. The number of destinations (schools or learning centers) served.

6. For non-high school districts, if the districts provide transportation service for resident high school students.

In addition, OSPI will provide the following data elements:

1. The total number of roadway miles within the district (forest service roads not used for transportation service are excluded).

2. The total land area of the district (land area such as national parks and forest areas not provided with transportation services are excluded).

Details of the particular model of regression analysis to be used by STARS are being delivered the week of June 20th. OSPI selected ECONorthwest, Inc., of Portland, Oregon, as the vendor to provide expertise in the selection of statistical tools for the
regression analysis and the linear programming required by the relative efficiency rating system.

Reimbursement for mileage used in providing home-to-school transportation in district motor pool vehicles will be reimbursed at the private vehicle rate in effect on September 1, 2011. During each reporting period, school districts are required to provide a current estimate for the total district car mileage for the school year. The actual district car mileage is required to be reported prior to July 15th of each year.

For the 2011–12 school year, the first step in determining the final allocation is to take the lesser of the 2010–11 transportation allocation or the 2010–11 allowable transportation expenditures plus indirects calculated at the federal restricted rate. The total of these calculated allocations will be compared to the funding provided in the Washington State Operating Budget (Second Engrossed Substitute House Bill 1087). As provided in the transition language in RCW 28A.160.192, any additional funding will be distributed to districts exhibiting underfunding on a pro-rated basis determined by the difference between the initial allocation calculated by the process listed above and the allocation determined by the STARS system.

RCW 28A.160.191 requires the superintendent to ensure that low enrollment districts, non-high districts, districts involved in transportation cooperatives and educational service districts providing specialized transportation service are allocated adequate funding for transportation. For the 2011–12 school year, these categories of districts will be included in the transition and hold harmless process. Therefore, any district that is underfunded will be increased by the same percentage, regardless of their inclusion in these special categories.

Engrossed Substitute Senate Bill 5919 amended the language in RCW 28A.160.192 to change the basis of the calculation of school district indirect charges in transportation from the state recovery rate to the federal restricted indirect rate. This change will result in the transportation allocation for approximately 60 school districts to be lower in 2011–12 than experienced in 2010–11. While these school districts should continue to receive full funding for transportation direct expenditures, many will receive less overall transportation funding as a result of the change in the rate used in the calculation of indirects. Information regarding this potential impact has been provided to all districts.