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ABSTRACT

In June 1995, the Idaho Joint Legislative Oversight Committee directed the Office of Performance Evaluations to conduct an evaluation of school district pupil transportation. This report, the last in a series of four, examines the apparent cost difference between district-operated transportation programs and those that are contracted to transportation providers. The report also explains how the processes of reimbursing districts and calculating ratios used for comparative purposes affect the apparent cost difference. Data were gathered through analysis of state and district records, a survey of all 110 Idaho school districts with student-transportation programs, interviews, and visits to nine school districts. Analysis of department cost ratios suggests that contracting is more expensive than district-operated programs. However, the cost ratios do not accurately describe district efficiency. Because a detailed analysis on an individual district basis was beyond the scope of the requested evaluation, the report does not conclude that one means of providing services is more efficient than the other. The reasons for the apparent cost differences fall into four categories: different cost components, application of department rules and reimbursement practices, characteristics of district transportation programs, and calculation of district measurement ratios. Nine tables and five figures are included. A separate volume of appendices contains reimbursable cost ratios for Idaho school districts, a copy of the pupil-transportation survey, statutes and administrative rules governing pupil transportation, a sample Department of Education reimbursement claim form and instructions, and general methods for estimating effects on reimbursable cost ratios. (LMI)

Contracted Versus District-Operated Pupil Transportation Programs

An Analysis of Cost and Program Differences

May 1996

Office of Performance Evaluations
Idaho State Legislature

Report 96-04

Appendices Bound Separately

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Contracted Versus District-Operated Public Transportation Programs

An Analysis of Cost and Program Differences

May 1996

Report 96-04

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In June 1995, the Joint Legislative Oversight Committee directed the Office of Performance Evaluations to conduct an evaluation of school district pupil transportation. The request arose from ongoing concerns over the state's funding for pupil transportation. This report, the last in a series of four, examines the apparent cost difference between district-operated transportation programs and those that are contracted to transportation providers.

I respectfully submit our completed evaluation for your review and consideration. This evaluation examines how costs incurred to provide pupil transportation differ for contractors and non-contracting districts. Also, it explains how the processes of reimbursing districts and calculating ratios used for comparative purposes affect the apparent cost difference. We quantify the effect of these differences, explaining over half of the apparent cost difference. However, we do not conclude that contracting for pupil transportation is more expensive or less efficient. Such a conclusion would require an analysis beyond the scope of this evaluation.

The Epilogue to this report concludes our evaluation of pupil transportation. Over time, the roles and responsibilities of Department of Education pupil transportation staff have evolved and staffing has remained relatively unchanged. We recommend that the State Board of Education and the State Superintendent thoroughly review current responsibilities and staffing needs.

We received the full cooperation of officials and staff in the Department of Education and Idaho school districts. Our thanks to Superintendent Jones (Lakeland) and Deputy Superintendent Davis (Boise) for reviewing and commenting on a draft of our report on behalf of Idaho superintendents.

This report was written and researched by Tom Gostas (project manager), Greg Arnim, and Dan Medenblik, with the assistance of Office of Performance Evaluations staff.

Respectfully submitted,

Nancy Van Maren

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Executive Summary

Background

In June 1995, the Joint Legislative Oversight Committee requested a performance evaluation of three issues related to pupil transportation services. This report presents our findings, conclusions, and recommendations on one of these issues, the apparent differences in cost between districts that operate their own transportation programs ("non-contracting" districts) and those that contract for the services ("contracting" districts).

We evaluated the apparent difference in cost between contracted and district-operated transportation programs.

According to data from the Department of Education's *1994–95 Pupil Transportation Financial Summary*, contracting districts as a group appeared to be 27 percent more expensive in terms of cost per mile, and 29 percent more expensive in terms of cost per student than non-contracting districts as a group. However, for an accurate comparison of the two methods of providing transportation services, the same costs should be included for each group. We were asked to explain the apparent cost difference between the two means of providing transportation services to Idaho's school children.

This report identifies the costs of providing pupil transportation and certain characteristics that differ between contracting and non-contracting districts, and quantifies the effects. It also identifies and quantifies the effect of policies in administrative rule and department practices that treat transportation costs differently in contracting and non-contracting districts. Finally, it identifies methods of calculating the costs that help explain the apparent differences. However, this report does not conclude that one means of providing services is more efficient than the other. That determination would require detailed analysis on an individual district basis and was beyond the scope of the requested evaluation.

Methods

To complete our evaluation, we reviewed and analyzed data contained in the Department of Education's two annual reports for 1994–95, the *Pupil Transportation Financial Summary* and the *Financial Summaries of Idaho School Districts*, and individual district claims for reimbursement of transportation costs for the last five years. We surveyed all 110 school districts with pupil transportation programs to collect additional financial information and details about their programs, including fuel consumption, wage rates, and investments in transportation facilities. We estimated the effect of district and department program and policy differences on the cost ratios. The methodology used to quantify the effects of various factors was reviewed by an outside accounting professional. We interviewed Department of Education staff and officials, school district personnel, staff of other state and federal offices, and transportation experts. We studied relevant federal and state laws and regulations. We visited nine school districts to learn more about their pupil transportation operations.

We did not review business records from pupil transportation contractors.

In our review, we did not attempt to obtain detailed information on all operating costs from the transportation contractors doing business with Idaho school districts. Contractors could consider this information confidential and important to their ability to compete for business. Consequently, we relied on district expenditure data, and assumed that contractors recover all of their costs through the prices they charge for their services. Also, we did not attempt to assess the effect that factors may have had on each other. Calculated together, the factors could have had a cumulative effect different from the estimates in this report.

Results

Idaho Code § 33-1501 requires school districts to provide for the transportation of pupils living more than 1.5 miles from school. To provide pupil transportation, school districts may own (or lease) and operate their own system of buses, contract for those services, or provide payments to parents in-lieu of transportation. Idaho Code § 33-1006 requires the State Board of Education to determine what costs of transporting pupils will be reimbursed by the state. Department staff rely on code, administrative rule, and

past practices to determine which reported costs may be reimbursed. Code requires the state to pay 85 percent of those costs determined by the State Board to be reimbursable.

Department cost ratios suggest contracting is more expensive than district-operated programs.

Each year, the department publishes pupil transportation costs for school districts in a *Pupil Transportation Financial Summary* which summarizes each district's approved allowable transportation-related expenditures and the calculation of each reimbursement. According to the Department of Education's 1994–95 Summary, the group of 22 contracting districts had an average cost per mile of $2.26. The group of 88 non-contracting districts had an average cost per mile of $1.78, a difference of $0.48 per mile. Also, as a group, contracting districts had a cost per rider of $461.93. Non-contracting districts had an average cost per rider of $358.06, a difference of $103.87.

Limits of Department Cost Ratios

The cost ratios published by the department do not describe district efficiency.

We found the ratios do not contain sufficient information to describe relative district efficiency in transportation operations. The total cost of pupil transportation operations in each district is not reported in the *Pupil Transportation Financial Summary* and is not used in calculating the cost ratios. Consequently, the ratios underreport the true cost of pupil transportation programs across the state. In Chapters 2 and 3 of this report, we describe and quantify a number of the costs that were not included. In addition, the ratios do not include:

- Transportation expenditures that are not reported by the district because they are non-reimbursable, such as expenditures for major garage tools or equipment, and non-reimbursable contract costs that are reported by contracting districts; and
- Transportation activity that a district funds through general education support, such as travel to field trips or music competitions that is paid directly out of instructional or other funds.

Finally, the cost ratio titles published in the *Pupil Transportation Financial Summary* may be misleading. The "total reimbursable cost per mile" ratio is actually the ratio of *adjusted* reimbursable costs, where in-lieu transportation costs have been subtracted, to total *reimbursable* miles. Similarly, the "total cost per student" ratio is actually the ratio of *adjusted reimbursable* costs to

average daily home-to-school riders. Any conclusions about transportation costs and efficiency should bear in mind the actual costs included in the ratios.

Analysis of Apparent Cost Difference

According to Department of Education data for 1994–95, the average cost per mile was $0.48 higher for the group of contracting districts. The average cost per student was $103.87 higher. In our analysis, we quantified the effects on both cost ratios. The results are shown in Table 1.2 in Chapter 1 and are given a full treatment in Appendices E-1 through E-15 (bound separately). However, to be concise, the report illustrates our findings using only the cost per mile ratio, with the exception of one factor that affects the cost per student ratio only.

We quantified 15 factors that explain a portion of the apparent cost difference. Together, they explain over half of the disparity.

We identified and analyzed 24 factors that contribute to the apparent cost difference between the two types of districts and quantified the effects of 15. Some of the nine factors that are not quantified may also have had an effect on the cost differences. Using 1994–95 data, the 15 quantified differences explained a total of 58 percent of the difference in cost per mile between the two groups, and 87 percent of the difference in cost per student between the two groups. The reasons for the apparent cost differences fell into four categories:

1. Different Cost Components

School districts and contractors do not pay for identical cost components.

While most costs incurred to provide transportation are for similar items regardless of the entity providing it, there are six exceptions. In part, contractors and non-contracting districts do not incur the same costs because of different treatment granted to private firms and public entities under taxation laws.

- Non-contracting districts were exempt from the state diesel fuel tax. This accounted for an estimated $0.01 per mile of the $0.48 per mile difference between the two groups.
- Non-contracting districts were exempt from the state sales tax. This accounted for an estimated $0.01 per mile of the difference.
- Non-contracting districts contributed to the Public Employees Retirement System of Idaho (PERSI). Accounting for this effect increased the apparent difference by $0.08 per mile.

Contracting districts may also pay property tax, income tax, and earn a profit. We did not quantify the effects of these factors because we did not collect detailed information on the operating costs of pupil transportation contractors.

2. *Application of Department Rules and Reimbursement Practices*

Administrative rules and department practices restrict the reimbursement of certain costs school districts incur in providing pupil transportation. Districts pay for these costs with other funds available to school districts such as bonds or tax levies. However, contractors can include these costs in the prices they charge to contracting districts, which then may be claimed for state reimbursement. These factors include:

Contractors can include costs in their billings that non-contracting districts cannot claim for reimbursement.

- Capital purchases such as land, buildings, and equipment. These purchases accounted for an estimated $0.06 per mile of the $0.48 per mile difference between the two groups.
- Full replacement costs for school buses. Contractors have the opportunity to recover these costs more rapidly than non-contracting districts. This accounted for an estimated $0.10 per mile of the difference.
- Interest charges on capital items. Contractors can include these costs in the prices they charge districts, while non-contracting districts may only request reimbursement for interest on bus purchase agreements signed prior to April 1, 1991. This accounted for an estimated $0.02 per mile of the difference.
- Insurance premiums for liability and bus damage. Contractors can include these costs in the prices they charge districts, while non-contracting districts can claim reimbursement for property insurance premiums on the bus garage only. This accounted for an estimated $0.05 per mile of the difference.
- State unemployment insurance. The costs for non-contracting districts are billed differently. This accounted for an estimated $0.02 per mile of the difference.

3. *Characteristics of District Transportation Programs*

Characteristics of individual district transportation programs, activities for which the district provides busing, the needs of the

Differences between district programs and management policies also affect the apparent cost difference.

students being bused, local markets for goods and services, and geography affect the two groups in different proportions. These factors are not necessarily related to a district's decision to contract, but do help to explain the apparent cost difference. These factors include:

- Non-contracting districts as a group paid higher bus driver and mechanic wages in 1994–95. The amount paid for benefits calculated as a percentage of wages would also be higher. Together, these factors actually increased the apparent difference between the two groups by $0.13 per mile.
- Non-contracting districts as a group obtained better fuel efficiency with their buses, partly because of the higher percentage of diesel buses in their fleets. This accounted for $0.03 per mile of the difference.
- Contracting districts as a group report more costs associated with special needs students, and more special needs students lived in contracting districts in 1994–95. This accounts for $0.16 per mile of the difference.

Other characteristics of a district's transportation program may vary between the two groups of districts, including student density, district management decisions for school and bus fleet operations, and regional variations in prices for supplies and services. We did not quantify the effects of these factors as that analysis would require detailed information on local conditions in each of the 110 school districts.

4. Calculation of District Measurement Ratios

The methods used to calculate the ratios do not treat the two groups of districts uniformly.

The Department of Education's methodology for calculating the cost ratios treats costs incurred in the two groups of districts unequally.

- Contracting districts are allowed to determine the costs associated with non-reimbursable transportation activity at the local level. Non-contracting districts have these costs determined by department practice and administrative rule. This accounted for $0.03 per mile of the $0.48 per mile difference between the two groups.
- The cost per student ratio uses an inappropriate divisor which increases the apparent cost difference. While this did not affect cost per mile calculations, it accounted for $12.95 per

rider of the $103.87 per rider difference between the two groups.

Conclusion

The differences in the department ratios between district-operated and contracted transportation programs could lead to the conclusion that contracting for transportation services is a more expensive alternative than the district operating its own system. Pupil transportation contractors incur certain costs that non-contracting districts do not. These include sales tax, state diesel fuel tax, property tax, income tax, and profit. In addition, contractors may pay more for certain costs that non-contracting districts, which have funding options available only in the public sector. For example, contractors may pay higher interest rates for capital purchases and cannot raise funds through taxes. Finally, contractors can recover all of their costs through billings to districts.

However, we cannot conclude from this analysis that contracting for pupil transportation services is more expensive than operating a district program:

We cannot conclude that contracting is more expensive or less efficient, due to limits on the ratios and our analysis.

- As noted, the department ratios do not include all transportation costs. An accurate conclusion would require a comparison of total costs in a non-contracting district with contractor billings.
- We did not quantify the effect of a number of factors that influence cost for one group or both, including profit, property tax, income tax, district management decisions, and the density and distribution of students in each district.
- For some factors, such as capital outlay costs, insurance costs, and interest costs, we have estimated effects using data from non-contracting districts. The use of actual pricing and expenditure information from contractors could increase or decrease the effect.
- We have not examined the interaction of the 15 quantified variables. Changes in one factor may increase or decrease the effect of other factors.
- The ratios themselves may not be the appropriate representation of unit costs. Using different units of

measurement, such as costs per bus, costs per bus-mile, costs per enrolled pupil, or costs per school, could result in different conclusions about relative costs for the two groups of districts.

Determining whether contracting for services is more expensive than operating a district program would entail an analysis of an individual district's costs and opportunities. This would require a thorough assessment of local conditions, including (a) the type and amount of transportation services required by the district; (b) local prices for goods and services; (c) start-up investment costs for items such as buses and maintenance facilities; (d) tax advantages or disadvantages; and (e) personnel and employee benefit costs.

Epilogue

Our evaluation of pupil transportation involved four areas: cost differences between contracting and non-contracting districts, department oversight of pupil transportation contracts, safety busing, and routing software. Law, rule, and department policy and practice indicate that the safety of children riding school buses has been the priority since the inception of the state's pupil transportation program. Department of Education transportation staff evaluate bus routes, inspect buses, and verify the need for safety busing. However, over time the pupil transportation section has been given and has taken on many other responsibilities. For example, the staff are called upon to oversee contracts for busing services on behalf of the state and determine school district transportation reimbursements. During the same time, the level of staffing for transportation personnel has remained relatively unchanged.

We recommend the State Board and the State Superintendent review pupil transportation staffing needs and establish priorities among current responsibilities.

Given the current demands of state pupil transportation oversight, we question whether the pupil transportation section has sufficient resources to adequately fulfill their responsibilities. We recommend that the State Board of Education and the State Superintendent of Public Instruction review current requirements made of the pupil transportation section and the resources available to meet them, in order to establish priorities and determine staffing needs. Because many current duties are not clearly mandated by law or rule, such a review may also result in recommended changes to Idaho Code or administrative rule.

Summary of Report Recommendations

1. We recommend the State Board of Education review department practices regarding the calculation of reimbursements for depreciation and contract costs to ensure consistency with administrative rule. *Page 45*

2. We recommend the Department of Education define a specific method for districts to use when they count pupil ridership and require districts to follow it when reporting ridership to the department. *Page 50*

3. We recommend the State Board of Education and the State Superintendent of Public Instruction review current policies, priorities, and staffing decisions within the pupil transportation section. *Page 61*

Introduction and Background
Chapter 1

In June 1995, the Joint Legislative Oversight Committee requested a performance evaluation of three issues related to pupil transportation services. Interest in these issues stemmed from ongoing concerns over the state's funding for pupil transportation. The three issues were:

- Apparent differences in cost between districts that operate their own transportation programs and those that contract for the service;
- District transportation of children who live less than 1.5 miles from school in response to health, age, or safety concerns, a practice known as safety busing;
- Use of computer software by districts to develop bus transportation routes.

We were asked to evaluate apparent differences in cost between contracted and district-operated transportation programs.

This report presents our findings, conclusions, and recommendations regarding the apparent differences in cost between districts that operate their own transportation programs and those that contract for the services. We issued a separate report on the oversight of pupil transportation contracts in February 1996.[1] The remaining issues have been addressed in two companion reports.[2]

Evaluation Questions

The request for this evaluation arose from concerns that pupil transportation in contracting districts is more expensive than in

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1 *Oversight of Pupil Transportation Contracts*, Report 96-02, Office of Performance Evaluations, February 1996.

2 *Safety Busing in Idaho School Districts,* Report 96-01, Office of Performance Evaluations, February 1996, and *Use of Bus Routing Software in Idaho School Districts*, Report 96-03, Office of Performance Evaluations, May 1996.

Department cost ratios for contracting districts as a group were higher than for non-contracting districts.

those districts that operate their own programs ("non-contracting" districts). According to two ratios published in the Department of Education's *1994–95 Pupil Transportation Financial Summary*, contracting districts as a group had an average reimbursable cost per mile of $2.26, and non-contracting districts had an average of $1.78. Also, as a group, contracting districts had a reimbursable cost per student of $461.93, while non-contracting districts had an average of $358.06. Appendix A lists both ratios by district for 1994–95.

We asked:

- Why does it appear that districts that contract for pupil transportation are more expensive than districts that operate their own programs? What factors could explain the difference, and to what extent?
- Are all costs for contracting and non-contracting districts identified, reported, and treated uniformly? If not, to what extent do any differences explain apparent differences in costs?
- To what extent do the Department of Education's cost ratios represent district transportation activity in a comparable manner? How much of the apparent cost difference between contracting and non-contracting districts may be attributed to the methods used to calculate the ratios?
- Does the Department of Education calculate reimbursements to contracting and non-contracting districts in the same manner? How do department reimbursement practices affect the cost ratios?
- How have the responsibilities of Department of Education pupil transportation staff evolved over time? Could the current organization be improved?

Most cost components for providing pupil transportation are the same for any entity.

We did not consider whether individual school districts are operating their pupil transportation programs in the most cost-effective manner possible.

We conclude that while most cost components for providing pupil transportation are the same for any entity, contractors and non-contracting districts do not incur identical costs to provide transportation services. In addition, certain costs are paid for or reimbursed differently in the two groups. Some characteristics of

district transportation programs that are unrelated to whether they contract vary and affect the cost ratios for the two groups to different degrees. Department methods of calculating the ratios also explain part of the difference.

Some costs differ in kind and degree.

By quantifying these effects, we explained 58 percent of the difference in reimbursable cost per reimbursable mile, and 87 percent of the difference in reimbursable cost per average daily rider. However, due to limits on the completeness of the ratios and their analysis, we do not conclude that contracting for pupil transportation services is more expensive or less efficient than district-operated programs. That conclusion would require a thorough analysis of individual district circumstances and detailed contractor data, and was beyond the scope of the current evaluation.

We explain over one-half of the differences in the cost ratios.

Methods

To complete our evaluation, we interviewed Department of Education staff and officials, school district personnel, staff of other state education agencies and federal offices, and transportation experts. We studied relevant federal and state laws and regulations. We examined reports, correspondence, memos, and other documents collected or distributed by the Department of Education and by school districts. We visited nine school districts to learn more about their pupil transportation operations.

We reviewed and analyzed data contained in the Department of Education's two annual reports, the *Pupil Transportation Financial Summary* and the *Financial Summaries of Idaho School Districts*, and individual district claims for reimbursement of transportation costs for the last five years.[3] We surveyed all school districts with pupil transportation programs to collect financial information and details about their programs, including fuel consumption, wage rates, and investments in transportation facilities.[4] We examined survey data for consistency and contacted districts as needed to clarify responses. We also

[3] We did not audit the financial data districts report to the department. IDAHO CODE § 67-450 (b) requires school districts to undergo annual financial audits. Reports of these audits are reviewed by the Legislative Auditor.

[4] Three districts did not respond to the survey: Kamiah #304, Culdesac #342, and Arbon Elementary #383.

compared survey responses with available department data, and resolved discrepancies as they arose. A copy of our survey is included as Appendix B (bound separately).

Using department and survey data, we identified factors that contributed to the reported cost difference between the two types of districts. We also examined department and district policies and district characteristics that affected the groups of contracting and non-contracting districts differently. In most cases, we calculated the effect those policies and characteristics had on the apparent cost difference between the two groups. The methods used to arrive at the estimates were reviewed by the department and by an independent accounting professional.

We did not obtain business records from pupil transportation contractors.

In our review, we did not attempt to obtain detailed information on all operating costs from the transportation contractors doing business with Idaho school districts. Contractors could consider this information confidential and important to their ability to compete for business. Consequently, we relied on district expenditure data, and assumed that contractors recovered all of their costs through the prices they billed districts for their services.

Study Population

Twenty-two districts contract and eighty-eight operate their own programs.

Our evaluation included 110 of Idaho's 112 school districts.[5] Two districts do not operate buses for pupil transportation and were not included.[6] Of the 110 districts we evaluated, 87 owned and operated their buses during the 1994–95 school year. The other 23 districts contracted for some or all of their transportation services. Three of the 23 operated combined district-owned and contracted pupil transportation programs. We designated two of these (Blackfoot #55 and Twin Falls #411) as contracting districts and one (Cottonwood # 242) as district-owned for our analysis, to be consistent with Department of Education practices. As a

[5] Prior to 1994 there were 113 school districts in the state. In 1994 Tammany School District # 343 merged with Lewiston Independent School District # 340, leaving 112 school districts.

[6] Three Creek # 416 makes payments to parents or guardians in-lieu of providing transportation. Prairie Elementary District # 191 has no transportation program or payments in-lieu of a transportation program.

result, we examined the differences between a group of 22 contracting districts and a group of 88 non-contracting districts.

Pupil Transportation Law

In 1947 the Legislature passed the School Transportation Act, which defined local and state responsibilities for pupil transportation.[7] According to the Department of Education's Pupil Transportation Manual, "the principal objectives of all [the Act's] laws is 'to provide a more equalized educational opportunity for pupils of the common schools . . . and establish a more effective use of public funds expended for the support of the common school system.'"[8] The laws have been amended since 1947 and further interpreted in a number of administrative rules. Appendix C (bound separately) summarizes the current laws and administrative rules that govern pupil transportation.

School districts are responsible for providing transportation to their pupils. Idaho Code requires school districts to provide for the transportation of pupils living more than 1.5 miles from school. Pupils may also be bused a shorter distance when the school district's Board of Trustees has determined that it is warranted by local conditions (termed "safety busing"). To provide pupil transportation, school districts may own (or lease) and operate their own buses, contract for those services, or provide payments to parents or guardians in lieu of transportation.

School districts must provide transportation for pupils who live more than 1.5 miles from school.

School districts establish their pupil transportation systems based on individual district requirements and resources. Local districts are responsible for managing the bus fleet, determining district policies for school-related activities that may require transportation, managing transportation personnel, and complying with local, state, and federal laws related to pupil transportation. The transportation service that a district offers or is required to provide determines the costs that the district incurs, and, therefore, the reimbursement it receives. School districts that contract for pupil transportation services must still meet the requirements of law and administrative rule.

[7] Now codified at Title 33, Chapters 10 and 15.

[8] Department of Education Pupil Transportation Manual, page v.

State Financial Support for District Costs

The Department of Education reimburses pupil transportation costs "off the top" of state educational funding for schools.

The method of dispersing public school funding is also set in law. Idaho Code § 33-1002 (1)(c) requires the Department of Education to pay pupil transportation funding "off the top" of the total K–12 education appropriation, then allocate the remainder to the school districts. Because transportation funds are taken from total funds first, any change in their amount will increase or decrease the funds allocated to school districts through the rest of the funding formula.

Each year, the Department of Education allocates funds to reimburse school districts for costs incurred in providing pupil transportation services during the prior fiscal year. Each school district submits a reimbursement claim form to the Department of Education on which it reports its allowable pupil transportation costs, the number of miles driven for both reimbursable and non-reimbursable purposes, and the average daily ridership for home-to-school bus travel. Contracting and non-contracting districts complete the same reimbursement claim form. A copy of this claim form is included as Appendix D (bound separately).

By law, the state pays 85 percent of reimbursable district transportation costs.

Department staff rely on code, administrative rule, and past practices to determine which reported costs may be reimbursed. Each district's reimbursement is calculated separately. Idaho Code requires the state to pay 85 percent of those costs determined by the State Board to be reimbursable.[9] Code also requires the State Board of Education to make district payments in five installments and specifies deadlines for disbursement of each payment.[10]

Pupil Transportation Program Costs and Department Ratios

Program Costs and Descriptive Ratios

Between 1990–91 and 1994–95, the total state share of pupil transportation costs increased from $27.3 million to $37.3

[9] IDAHO CODE § 33-1006 (1995).
[10] IDAHO CODE § 33-1009 (1995).

million, an increase of 36.6 percent.[11] Total state support for public schools also rose 36.6 percent, and the total general fund budget grew 39.5 percent.[12] During the same time period:

- Total pupil enrollment grew by 19,608 pupils (8.9 percent);
- Total district bus ridership increased by 5,598 pupils (5.2 percent);
- The number of school buses operating in the state increased by 175 (7.9 percent); and
- The number of miles driven in the state increased by 2,716,108 (12 percent).

Department data show contracting districts as more expensive in terms of cost per mile and cost per rider.

The department's *Pupil Transportation Financial Summary* (Summary) summarizes each district's approved, allowable transportation-related expenditures and the calculation of each reimbursement. In the Summary, the department presents two ratios to show costs on a per unit basis. One cost ratio shows total reimbursable costs in terms of total reimbursable miles driven. The other shows total reimbursable costs in terms of the number of pupils transported on an average daily basis.

In 1994–95 these cost ratios indicated that, on average, contracting districts had higher unit costs than non-contracting districts. Taken as a group, contracting districts appeared to be 27 percent more expensive in terms of reimbursable cost per reimbursable mile, and 29 percent more expensive in terms of reimbursable cost per average daily rider. Table 1.1 shows the averages for both ratios for each group as well as the statewide average for the same year.

Limits of Department Cost Ratios

The department has provided the ratios to permit readers to compare district costs. However, we found:

- **The ratios do not contain sufficient information to describe relative district efficiency in transportation operations.**

[11] Department of Education *Pupil Transportation Financial Summary*, 1990–91 through 1994–95. Figures not adjusted for inflation.

[12] Legislative Fiscal Reports for 1993 and 1995. Figures not adjusted for inflation.

Table 1.1: Department of Education Pupil Transportation Cost Ratios, 1994–1995

	Statewide (All Districts)	Contracting Districts	Non-Contracting Districts	Contracting Versus Non-Contracting Difference
Average Reimbursable Cost Per Reimbursable Mile	$1.90	$2.26	$1.78	**$0.48**
Minimum	0.95	1.34	0.95	
Maximum	3.31	3.31	2.65	
Average Reimbursable Cost Per Average Daily Rider	$383.47	$461.93	$358.06	**$103.87**
Minimum	181.31	267.00	181.31	
Maximum	2,172.87	918.38	2,172.87	

Source: Department of Education, *1994–1995 Pupil Transportation Financial Summary* (Boise).

The ratios are incomplete measures of district cost efficiency.

There are limits to the completeness of the ratios. For example, the ratios do not describe non-financial factors such as the level of service required in each district, local policies to manage bus fleets and schools, and local markets for goods and services. We identify and quantify the effects of several of these factors on the cost ratios in subsequent chapters.

We also found:

- **The total cost of pupil transportation operations in each district is not reported in the *Pupil Transportation Financial Summary* and is not used in calculating the cost ratios.**

Consequently, the ratios underreport the true cost of pupil transportation programs across the state. Specifically, the Summary does not include:

1. Transportation expenditures known to be non-reimbursable. The department does not require districts to report non-reimbursable costs. For example, districts do not report expenditures for major garage tools or equipment such as tire changers, hoists, air wrenches, and compressors. The Summary also excludes non-reimbursable contract costs in contracting districts, although districts report these costs on the reimbursement claim form.
2. Transportation activity that a district funds through general education support. For example, a district may choose to account for travel for field trips or music competitions separately and pay for them with instructional funds.

Further, districts do not report the total number of transported pupils according to the purpose of the transportation. As a result, it is not possible to calculate the cost of busing pupils for other reimbursable purposes, such as field trips. This makes it difficult to accurately assess and compare per pupil costs between districts.

Finally, the titles of the cost ratios in the *Pupil Transportation Financial Summary* may be misleading. The "total reimbursable cost per mile" ratio is actually the ratio of *adjusted* reimbursable costs, where in-lieu transportation costs have been subtracted, to total *reimbursable* miles. Similarly, the "total cost per student" ratio is actually the ratio of *adjusted reimbursable* costs to *average daily home-to-school riders*. An explanation of the ratio calculations is listed at the beginning of the Summary but may be easily missed, potentially leading to false conclusions about transportation costs and efficiency.

Adjusting the presentation of the cost ratios to account for these factors would improve the quality of analysis available to those who use this report. For example, the department could publish a more comparable ratio of *total cost* to *total mile* rather than reimbursable cost per reimbursable mile. Even with necessary adjustments, however, the ratios do not provide complete measures of district transportation efficiency.

In 1994–1995, transportation in contracting districts as a group appeared $0.48 per mile more expensive than in non-contracting districts.

Analysis of Apparent Cost Difference

According to Department of Education data for 1994–95, the average cost per mile was $0.48 higher in contracting districts than in non-contracting districts. The average cost per rider was

Four reasons account for a portion of the difference in cost ratios between the two groups.

$103.87 higher. Cost ratios based on mileage are easier to verify, more directly related to costs, and less sensitive to errors in measurement. To be concise, we illustrate our findings in this report using only the cost per mile ratio, with the exception of one factor that affects the cost per rider ratio only. Appendices E-1 through E-15 (bound separately) provide a full analysis of the effect on both ratios.

We analyzed the components that comprise the cost ratios to explain the apparent cost differential between contracting and non-contracting districts. To explain these differences, we examined a total of 24 factors and obtained data to quantify 15 of them. The explanations of the apparent cost difference may be grouped into four categories. The following provides a summary of our results using 1994–95 data.

Contractors and school districts do not pay for identical cost components to provide pupil transportation.

1. *Contractors and non-contracting districts do not have the same costs to operate their programs, partly due to different treatment under taxation laws.* Non-contracting districts are exempt from state sales tax and state diesel fuel excise tax, but are required to contribute to the state retirement system. Contractors may pay property tax, income tax, and earn a profit. These factors are discussed in Chapter 2.
2. *Administrative rule and department practices restrict which costs school districts may claim for reimbursement, and, in some cases, how they may be claimed, while contractors can include all costs in their billings to districts.* Restricted costs include liability and bus insurance costs, bus purchase costs, costs of other capital investments, interest charges on capital investments including buses, and state unemployment insurance contributions. These factors are also discussed in Chapter 2.
3. *District-specific characteristics, including activities for which the district provides busing and local markets for goods and services, affect the two groups in different proportions.* These factors are not necessarily related to a district's decision to contract for transportation services, but help explain the difference in the cost ratios. As a group, non-contracting districts paid more for wages and wage-based benefits for bus drivers and mechanics. On the other hand, non-contracting districts received better fuel economy from their bus fleets. Contracting districts as a group transported a larger percentage of students with special needs, for whom transportation was more expensive. Chapter 3 discusses these factors in detail.

4. *The methodology used by the department to calculate the ratios treats the two groups of districts unequally.* Portions of depreciation allowances in the group of non-contracting districts and portions of contract costs in the group of contracting districts are not removed from the reimbursable costs in accordance with administrative rule. In addition, the reimbursable cost per average daily rider ratio uses an inappropriate divisor, inflating the apparent costs. Chapter 4 discusses these two effects in detail.

Table 1.2 summarizes the factors in each category discussed above and their effect on the difference between the ratios. *For easy reference, this table is reproduced on the inside back cover.*

Conclusions

Reimbursement procedures vary between the two groups, affecting the apparent cost difference.

We conclude from our evaluation that contractors and districts do not incur identical costs to provide pupil transportation. Six cost factors differ. All other costs incurred by contractors and districts are similar in nature. In some cases, the State Board of Education and the department have limited reimbursements of transportation costs, which has affected contracting and non-contracting districts differently. Where state reimbursements are limited, districts pay for the costs with other revenue sources. We did not evaluate the decisions to limit reimbursements.

Rather, our evaluation quantifies the effect of certain costs that are or are not included in the two cost ratios that currently form a basis for comparing contracting and non-contracting districts. In total, we quantified the effect of 15 cost factors, explaining approximately $0.28 (58 percent) of the $0.48 difference in terms of cost per mile, and an estimated $90.44 (87 percent) of the $103.87 difference between the two groups in terms of cost per rider.[13]

An unexplained difference in apparent cost remains.

Our analysis leaves an unexplained apparent cost difference between the two groups. However, we cannot conclude that contracting for pupil transportation services is therefore more expensive or less efficient than operating a district program. Limits on the analysis include:

[13] Some factors affect only one ratio. As a result, adjustments do not affect the ratios to the same degree.

Table 1.2: Summary of Cost Factors and Their Effect on the Difference Between Ratios for Contracting and Non-Contracting Districts

Reimbursable Cost/ Reimbursable Mile Difference: Contracting Minus Non-Contracting	Reimbursable Cost/ Reimbursable Mile Difference: Percent		Reimbursable Cost/ Average Daily Rider Difference: Contracting Minus Non-Contracting	Reimbursable Cost/ Average Daily Rider Difference: Percent
$0.48		**1994–95 Reported Ratio**	**$103.87**	
		Different Cost Components		
(0.01)	(2)	Diesel fuel excise tax	(1.93)	(2)
(0.01)	(2)	State sales tax	(1.62)	(2)
0.08	17	PERSI	15.15	15
$0.06	13%	Subtotal	$11.60	11%
		Reimbursement Practices		
(0.06)	(13)	Capital outlay other than buses	(11.93)	(11)
(0.10)	(21)	School bus depreciation	(20.81)	(20)
(0.02)	(4)	Debt service (interest charges)	(3.56)	(3)
(0.05)	(10)	Insurance	(8.33)	(8)
(0.02)	(4)	Unemployment insurance	(3.62)	(3)
($0.25)	(52)%	Subtotal	($48.25)	(46)%
		District Characteristics		
0.09	19	Bus driver wages	17.11	16
0.03	6	Mechanic wages	5.05	5
0.01	2	Employee benefits	2.86	3
(0.03)	(6)	Bus fleet fuel economy	(6.11)	(6)
(0.16)	(33)	Special needs transportation	(53.08)	(51)
($0.06)	(13)%	Subtotal	($34.17)	33%
		District Measurement Ratios		
(0.03)	(6)	Reimbursable cost calculation	(6.67)	(6)
		Relating home-to-school ridership to total costs	(12.95)	(12)
($0.03)	(6)%	Subtotal	($19.62)	(19)%
($0.28)	**(58)%**	**TOTAL EXPLAINED DIFFERENCE**	**($90.44)**	**(87)%**

Source: Office of Performance Evaluations analysis.

For easy reference, this table is reproduced on the inside back cover.

- The ratios do not include all transportation costs. An accurate conclusion would require a comparison of total costs in non-contracting districts with contractor billings.
- We did not quantify the effect of a number of factors that influence costs for one group or both, including profit, property tax, income tax, district management decisions, and the density and distribution of students in each district.
- For some factors, such as capital outlay costs, insurance costs, and interest costs, we have estimated effects using data from non-contracting districts. The use of actual pricing and expenditure information from contractors could increase or decrease the effect.
- We have not examined the interaction of the 15 quantified factors. Changes in one factor may increase or decrease changes in others.
- We question whether the ratios are the appropriate representation of unit costs. Some transportation costs are directly proportional to factors such as time (which can affect hourly-based salary costs) and mileage (which can affect fuel costs). Other costs, such as routing software or support staff costs, are independent of these factors. Using different units of measurement, such as costs per bus, costs per bus-mile, costs per enrolled pupil, or costs per school, could result in different conclusions about relative costs for the two groups of districts.

We cannot conclude that contracting is more expensive or less efficient, due to limits on the ratios and our analysis.

Determining whether contracting for services is more expensive or efficient than operating a district program would require detailed analysis of each individual district that currently contracts. Such an analysis would determine how much the district would pay to operate its own program over time, and whether that amount would be less than current contractor billings. The analysis would require a thorough assessment of local conditions, including but not limited to (a) the type and amount of transportation services required by the district; (b) local prices for goods and services; (c) start-up investment costs for items such as buses and maintenance facilities; (d) tax advantages or disadvantages; and (e) personnel and employee benefit costs. This analysis was beyond the scope of the requested evaluation.

Differences Related to Contracting
Chapter 2

In this chapter, we explain differences in costs that are due to a district's decision to contract or operate its own program, and we quantify the effect these differences had on the cost ratios in 1994–95. Specifically, we examined:

- Cost components that differ for contractors and non-contracting districts. Operating in the public sector, non-contracting districts are exempt from certain taxes that contractors must pay.
- Cost components that may be included in contractor billings, but are not reimbursable for non-contracting districts. While the department excludes some costs from reimbursement, pupil transportation contractors bill districts for their services, and account for these costs in their bills.

Throughout this analysis, we assumed that contractors must recover their costs over the long term, and, therefore, include their costs in the prices they charge for their services. Consequently, we assumed that the cost components we identify are included in the prices districts pay for contractor services, are reimbursed by the state, and appear in the cost ratios published by the department.

Different Cost Components

Contractors and district-operated programs do not pay for identical cost components.

School districts operating their own programs are exempt from state diesel fuel tax and sales tax on direct purchases, but are required to contribute to the Public Employee Retirement System of Idaho (PERSI) for district employees. Pupil transportation contractors must pay these taxes and may also account for property tax, income tax, and profit in their charges to districts, but do not contribute to PERSI. Below, we present the findings related to each of the six factors we identified in this category. We quantified the effects of three of them. Together, they widen

the cost difference per reimbursable mile by $0.06, an increase of approximately 13 percent.

State Diesel Fuel Excise Tax
Refer to Appendix E-1

Contractors pay state diesel fuel tax, while school districts are exempt.

Contractors are not exempt from state diesel fuel tax.

Idaho Code § 63-2416(2) provides an exemption from the state excise tax on diesel fuel for certain vehicles "owned or leased and operated" by political subdivisions of the state.[1] According to a representative of the State Tax Commission, this exemption applies to diesel fuel used in school buses owned and operated by school districts, but not to fuel used in buses owned by pupil transportation contractors. In the 1994–95 school year, the state tax rate on diesel fuel was $0.21 per gallon.[2]

We found that in 1994–95:

- **Approximately two percent of the cost difference in the reimbursable mile ratio between contracting and non-contracting districts could be attributed to the payment of the state diesel fuel tax.**

We estimate that contractors incurred $58,535 in diesel fuel taxes. This was the equivalent of $0.01 per reimbursable mile of the contracting districts' reimbursable cost ratio. Note that this excise tax returns to the state through tax collections.

Some districts may not have claimed fuel tax exemptions.

We reviewed Internal Revenue Service (IRS) tax publications and spoke with an IRS representative. According to these sources, fuel used in school buses, whether operated by school districts or contractors, is exempt from federal excise taxes imposed on diesel fuel and gasoline. In their responses to our survey, 13 districts reported that they paid either state or federal fuel taxes but had not claimed refunds. Department staff provided documents showing that five of the districts received discounts for fuel taxes at the pump. Due to conflicting information, we were unable to accurately quantify the amount of unclaimed tax refunds involved.

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1 The tax exemption applies to vehicles with a gross weight of 16,000 pounds or over, which includes most school buses.

2 In 1996, the 53rd Legislature raised the tax to 25 cents per gallon, effective April 1, 1996. House Bill 825.

Department of Education personnel told us they were aware that some districts do not file for all available tax refunds. They regularly remind districts of their tax exempt status and inform them of changes in tax law through a Department of Education newsletter. When we asked an official in one district why no state or federal refund requests were filed, the official told us that the district business manager decided not to file, since the refund would be deducted from the district's state reimbursement. The district would receive only $0.15 of each refunded dollar, so that filing the refund paperwork would not be cost-effective.

State Sales Tax
Refer to Appendix E-2

Contractors pay state sales tax, while school districts are exempt.

Idaho Code § 63-3619 imposes a sales tax of 5 percent on all retail sales of tangible personal property. Through administrative rule, the State Tax Commission exempts the state from these taxes.[3] The exemption is limited to "purchases made directly by the state, its agencies, departments and institutions," and therefore does not apply to purchases made by contractors working for a school district.[4]

We estimated the amount of sales tax that non-contracting districts would include in a request for reimbursement if they had to pay sales tax on purchases that are currently exempt. We used transportation cost data districts submitted to the department. We found that in 1994–95:

- **Approximately two percent of the cost difference between contracting and non-contracting districts could be attributed to the state sales tax exemption for non-contracting districts.**

We estimate that non-contracting districts as a group would have paid $143,000 in sales tax on goods and services if they were not exempt. This would have been the equivalent of $0.01 per reimbursable mile.

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[3] Idaho Administrative Code, October 5, 1994, Vol. 1, IDAPA 35.01.02.094.

[4] Idaho Administrative Code, October 5, 1994, Vol. 1, IDAPA 35.01.02.094.02. IDAPA 35.01.02.094.03 extends the exemption to political subdivisions and defines them to include public school districts.

Public Employees Retirement System (PERSI)
Refer to Appendix E-3

School districts must contribute to PERSI, while contractors do not.

Idaho Code § 59-1374 defines school districts as employers under the Public Employee Retirement System (PERSI). Employers must contribute to the retirement benefits of all public employees who work more than 20 hours a week.[5] In 1994, the Legislature amended Idaho Code § 33-1006 to provide reimbursement through the transportation support program for the employer's share of contributions to PERSI for pupil transportation personnel.[6] Prior to the 1994–95 school year, school districts received separate state support for this cost.

We examined the amount of transportation-related PERSI contributions that districts reported for reimbursement purposes. We found that in 1994–95:

- **The cost difference between contracting and non-contracting districts would have been approximately 17 percent greater in the cost per reimbursable mile ratio if the costs of PERSI contributions in non-contracting districts were excluded.**

Non-contracting districts reported paying $1,518,000 in PERSI contributions for transportation personnel. If these costs were excluded, the reimbursable cost per reimbursable mile would have been $0.08 lower in non-contracting districts as a group. The effect would have been an even greater difference in the cost ratios for the two groups of districts.

Private pupil transportation contractors do not contribute to PERSI, which applies only to state or local government employees. However, contractors may contribute to alternative retirement plans, which would then reduce PERSI's effect on the difference in cost ratios. To learn what contractors may offer, we contacted three contracting companies that operate in Idaho and other states. Two told us that they offer optional plans, and one said it does not offer a plan in Idaho. One of the two optional plans is a tax sheltered retirement plan only; in both, enrollment is

[5] IDAHO CODE §§ 59-1302(14), 1322, and 1385.

[6] IDAHO CODE § 33-1006(5). This change also affected reimbursement for employer social security and Medicare insurance contributions. The effect of these benefits are discussed later in this chapter.

optional for employees and employer contribution levels vary. As a result, we believe that contractor contributions to other plans would have a minimal effect.

Property Tax, Income Tax, and Profit

Pupil transportation contractors may pay property and income taxes, while non-contracting districts are exempt from these costs. In addition, private contractors may make a profit with their business.

Contractors may pay property and income taxes and earn a profit.

We did not request detailed expenditure information from contractors that would allow us to quantify these components. Property tax for contractors will be affected by the facilities each contractor owns, whether the contractor leases or is purchasing the facilities, and the taxing rates in individual districts. Income tax will be determined by the amount of profit each contractor earns and the accounting methods used to report it.

Actual profit earned by pupil transportation contractors in school districts will be affected by factors such as competition, business management practices, local costs, and the amount and type of services required by the school district. Nationwide, before-tax profits of companies that provide school bus services have declined from an average of 6.1 percent in 1990–91 to an average of 3.8 percent in 1994–95.[7]

Competitive bidding is intended to minimize prices for goods and services, including pupil transportation. Idaho Code § 33-1506 requires school districts to follow a competitive bidding process. However, in practice, there has been little competition. Fifteen of the twenty-three districts with pupil transportation contracts received one bid for the transportation contracts in force in the 1994–95 school year.[8]

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[7] *RMA Annual Statement Studies 1995*, Robert Morris Associates (Philadelphia, 1995), pp. 654–5. RMA is an association of lending and credit risk professionals. Based on actual financial statements.

[8] See Office of Performance Evaluations Report 96-02, *Oversight of Pupil Transportation Contracts*, pp. 20–23.

The department limits reimbursement to districts for certain costs. Contractors can include these costs in their billings to districts and receive reimbursement.

Reimbursement Practices

In accordance with the requirements of state law, the State Board of Education has determined which costs associated with pupil transportation will be reimbursed. Certain reimbursable costs are defined in administrative rule, and others have been determined by department practices. We did not evaluate the policy choices made by the department in placing reimbursement limitations on these costs. Figure 2.1 summarizes reimbursable and non-reimbursable costs by category.

Some district costs for pupil transportation that are considered non-reimbursable may be included in a contractor's total billing to a district. For example, certain capital expenditures, insurance costs, and interest on loans are not reported to the department by non-contracting districts and are not reimbursed. As a result, contractors may be reimbursed for some costs for which non-contracting districts are not. These differences affect district reimbursements and are reflected in the cost ratios.

Below, we present the findings related to each of the five factors we identified in this category. Together, these factors explained $0.25 (52 percent) of the difference in reimbursable cost per reimbursable mile.

Capital Outlay Other Than Buses
Refer to Appendix E-4

Capital expenditures other than school buses and radios are not reimbursable.

Administrative rule specifies that the "purchase of school buses and two-way radios shall be the only capital investment items allowed in the reimbursement program."[9] Under this policy, non-contracting districts cannot claim reimbursement for such expenses as land, buildings, equipment and fixtures. The districts must fund these purchases through other revenues. Contractors, on the other hand, may include any of these costs in calculating a price for the district.

To determine the amount of capital expenditures that non-contracting districts could have claimed for reimbursement, we asked non-contracting districts to estimate their capital asset

[9] Idaho Administrative Code, October 5, 1994, Vol. 1, IDAPA 08.02.07.450.

Figure 2.1: Reimbursable and Non-Reimbursable Pupil Transportation Costs

	Reimbursable Costs	Non-Reimbursable Costs
Personnel costs	Bus drivers, bus assistants, mechanics, transportation supervisors, dispatchers, employee benefits, employer fixed charges	Costs of personnel not directly related to pupil transportation (e.g., mechanics working on district maintenance vehicles)
Purchased services	Short-term bus leases (temporary rentals), equipment rental contract repairs and maintenance, school bus driver training, garage utilities, bus routing software,[a] travel expenses	Long-term bus leases, training materials not provided by SDE, database and other office software, shop/office equipment leases
Supplies	Fuel, oils and lubricants, shop materials and parts, office supplies, cleaning, coveralls, rags, laundry, consumable hand tools	Durable hand tools, small equipment
Capital outlay	Buses[b] and two-way radios	All land, buildings, furniture, fixtures, and equipment, for both transportation shop and office, radio base stations and repeaters
Debt service	Interest costs incurred on bus purchase contracts dated prior to April 1, 1991	Interest costs on all bus purchase contracts dated after April 1, 1991; interest on all other capital purchases
Insurance	Property insurance on garage	Liability insurance, vehicle comprehensive and collision insurance
Other costs	Payments in-lieu of transportation, depreciation on buses,[c] contract busing services, administrative cost allocations	"Courtesy" busing costs, contract busing services for non-reimbursable miles, depreciation on vehicles older than five years when purchased

[a] Requires Department of Education approval prior to claiming reimbursement
[b] Subject to limits based on average statewide costs. Reimbursed as depreciation expense.
[c] Amounts reimbursed for depreciation must be maintained in separate fund for future bus purchases.

Source: Department of Education Pupil Transportation Manual, Idaho Code, State Board of Education administrative rules, and reimbursement claim form instructions.

investments dedicated to pupil transportation. We found that in 1994–95:

- **Approximately 13 percent of the cost difference in the reimbursable mile ratio between contracting and non-contracting districts could be attributed to the non-reimbursement of capital investment costs through the transportation program.**

We estimated the annual cost to non-contracting districts would have been the equivalent of $0.06 per reimbursable mile.

School Bus Depreciation
Refer to Appendix E-5

The department limits state support for replacement of school buses.

Depreciation is a method of accounting for the cost of an asset over time. As a rule, public entities do not depreciate property. In non-contracting districts, the department financially supports the purchase of replacement buses by providing an allowance based on the purchase costs of existing buses, which they call "depreciation." The department requires that districts place the amounts received into a separate fund dedicated to the purchase of replacement buses. Department personnel told us they added this requirement in 1991 when some districts were unable to fund the purchase of new buses, ultimately reducing fleet safety. Administrative rule includes additional restrictions on the depreciation allowance:[10]

- The districts must spread the costs of existing buses over 10, 12 or 15 year periods based on bus classifications defined by the department.
- The depreciation schedules exclude the estimated residual salvage value of the bus (approximately 11 percent of the purchase price in each case).
- To remain on the depreciation schedule, buses must be used for home-to-school purposes at least 50 percent of the time, measured by mileage.
- Used school buses over five years old at the date of purchase are not eligible for depreciation allowances.

[10] Idaho Administrative Code, October 5, 1994, Vol. 1, IDAPA 08.02.07.450.

In contrast, under IRS regulations, private contractors depreciate new school buses over 5 years.[11] This depreciation is for tax purposes and may not be reflected in the contractor's price to a school district. However, because Idaho Code limits the duration of a contract for pupil transportation to five years, contractors may have an incentive to recover bus costs at a faster rate than the department permits to non-contracting districts. This limit could encourage contractors to recover their capital costs early, since the contract could be awarded to a competitor after five years.

Contractors can recover bus purchase costs more quickly.

We estimated the potential effect of an accelerated bus depreciation schedule by increasing the depreciation portion of the two cost ratios in non-contracting districts. We found that in 1994–95:

- **A maximum of 21 percent of the cost difference in the reimbursable mile ratio between contracting and non-contracting districts could be attributed to the slower recovery of school bus purchase costs in non-contracting districts.**

We estimate that non-contracting districts as a group could have recovered as much as 38 percent less of their bus costs in six years through the department's depreciation allowance than contractors could have recovered in their billings. This was the equivalent of $0.10 per reimbursable mile.

The effect could be lower depending on fleet management decisions individual contractors make. Contractors may consider several factors in determining the amount of depreciation to include in a bid price, such as when to replace buses, whether to buy new or used buses, and how to finance them. However, if a contractor chooses to account for depreciation costs over the useful life of the bus, the contractor would likely follow a depreciation schedule similar to that required for non-contracting districts.

[11] A mid-year accounting convention spreads the cost over a six year period for federal tax purposes.

Interest charges for capital purchases are not reimbursable.

Debt Service (Interest Charges)
Refer to Appendix E-6

Idaho Code §33-1501 states that "the board of trustees of any school district may purchase or lease, and maintain and operate school buses . . . ." Since 1991, the department has interpreted this language as allowing reimbursements for short term lease arrangements only.[12] Department staff told us the intent of this restriction was to prevent school districts from shifting the finance charges for new buses to the state through the reimbursement process. Consequently, interest charges on new bus purchase contracts signed after April 1, 1991, and interest charges for other capital investments such as land, buildings, and equipment related to pupil transportation, are ineligible for reimbursement.

On the other hand, contractors may include the cost of interest on all purchases in their price to a school district. We estimated the amount of interest that non-contracting districts would have claimed for reimbursement if debt service were fully reimbursable under department rules. We found that in 1994–95:

- **Approximately four percent of the cost difference in the reimbursable mile ratio between contracting and non-contracting districts could be attributed to the limit of reimbursement on debt service costs.**

We estimate that non-contracting districts would have been reimbursed for an additional $289,000 in interest if all debt service costs were claimed by non-contracting districts. This was the equivalent of $0.02 per reimbursable mile.

Non-contracting districts can benefit from lower interest rates and interest-free funding alternatives that are available only in the public sector. Recalculating the effect to adjust for these advantages could explain even more of the difference in cost ratios.[13]

[12] 1994–95 Reimbursement Claim Form Instructions for Line 14.
[13] See Appendix E-6.

Insurance
Refer to Appendix E-7

Idaho Code §33-1507 requires a district or a contractor to carry minimum levels of liability insurance that indemnifies the district from claims for any injury or death arising out of the operation of the transportation program.[14] The department does not reimburse districts for the cost of providing this coverage, as districts have the ability to fund the premiums through tort levies. However, contractors can recover their costs in the price to districts. In addition, in 1989–90 the department stopped reimbursing districts for comprehensive and collision insurance on buses. Department staff told us their analysis showed it would be more cost-effective to reimburse actual repair costs than fund insurance premiums.

The costs of liability and bus damage insurance are not reimbursable.

We estimated the amount of liability and collision and damage insurance premiums that non-contracting districts could have claimed for reimbursement if they were allowed as reimbursable expenses. Based on a sample of five large non-contracting districts, we found in 1994–95:

- **A maximum of ten percent of the cost difference in the reimbursable mile ratio between contracting and non-contracting districts could be attributed to limits on the reimbursement of insurance premiums.**

This was based on an estimated cost of $0.05 per reimbursable mile for non-contracting districts.

State Unemployment Insurance
Refer to Appendix E-8

Idaho Code requires employer and employee contributions to an unemployment insurance fund. According to Department of Education staff, the department does not reimburse school districts' unemployment costs for qualifying transportation personnel through the pupil transportation financial support program. The department pays claims directly on behalf of the district. Therefore, the amount does not appear in the cost ratios. However, contractors may include this cost in their price to districts.

For non-contracting districts, payments related to state unemployment insurance are made outside the pupil transportation program.

[14] This requirement is repeated in administrative rule. Idaho Administrative Code, October 5, 1994, Vol. 1, IDAPA 08.02.07.400.08.

We estimated the effect of this difference on the cost ratios using contribution levels that apply to contracting districts. We found that in 1994–95:

- **Approximately four percent of the cost difference in the reimbursable mile ratio between contracting and non-contracting districts could be attributed to the absence of state unemployment insurance costs in the ratio for non-contracting districts.**

We estimate that approximately $361,000 in unemployment costs would have appeared in reimbursement claims for non-contracting districts as a group if these costs were incurred and paid in the same manner as contractors.[15] If this amount had been included in transportation reimbursements, this would have been the equivalent of $0.02 per reimbursable mile.

[15] According to information from the Department of Employment, an employer's 1995 contribution to the fund was based on 2.1 percent of the first $21,000 of the employee's salary. The percentage is adjusted for the claims history of the employer. In the public sector, contributions are based on actual claims filed. As a result, actual costs paid each year will vary.

Characteristics of District Transportation Programs

Chapter 3

In this chapter, we discuss the effect of certain characteristics of individual district transportation programs on the apparent cost differences between contracting and non-contracting districts. The characteristics include the fuel efficiency of buses, the amounts of specialized transportation required by a district, district school and bus management practices, and factors such as the distribution of the student population and local geography. These characteristics are unrelated to whether a district contracts for pupil transportation. However, we found the average costs associated with some of these factors contributed to the apparent cost difference between the two groups.

Differences between district programs and management policies explained a portion of the difference in cost ratios.

Measured Differences in Characteristics

Taken together, the effect of bus driver and mechanic wages, employee benefits, fleet economy, and special needs transportation explained $0.06 (13 percent) of the difference in reimbursable cost per reimbursable mile. As described below, accounting for the difference in some of these factors between contracting and non-contracting districts actually increased the difference between the cost ratios.

Non-contracting districts reported paying higher wages for bus drivers and mechanics.

Bus Driver and Mechanic Wages
Refer to Appendices E-9 and E-10

In 1994–95 salaries represented 59 percent of operating costs reported by school districts for pupil transportation programs.[1] Salaries vary between districts in response to local labor markets and employer policies. As groups, contracting and non-contracting districts reported different average wages for bus

[1] The percentage does not include the personnel or operating costs of pupil transportation contractors.

Table 3.1: Average Hourly Driver and Mechanic Pay Rates, 1994–1995

	Statewide (All Districts)	Non-Contracting Districts	Contracting Districts	Non-Contracting Minus Contracting Difference
Bus Driver[a]	$ 8.99	$ 9.25	$ 8.05	$ 1.20
Minimum	5.00	5.00	6.20	
Maximum	13.95	13.95	11.50	
Mechanic[b]	$12.88	$13.42	$10.19	$ 3.23
Minimum	6.80	6.80	7.75	
Maximum	17.00	17.00	15.39	

[a] Contracting districts: n=16; Non-contracting districts: n=82.
[b] Contracting districts: n=9; Non-contracting districts: n=58. Excludes five districts that submitted hourly rates for contracted or salaried mechanic services.

Source: Office of Performance Evaluations analysis of survey results.

drivers and for mechanics.[2] The variations between districts in each group appeared in both cost ratios.

According to our analysis, in 1994–95, bus drivers in non-contracting districts as a group earned an average of 14.9 percent more per hour than drivers in contracting districts as a group. On average, mechanics earned 31.7 percent per hour more in non-contracting districts than contracting districts. The results are summarized in Table 3.1.

We calculated the wage difference between the two groups and estimated the effect on the apparent cost difference if the salaries had been the same. We found that in 1994–95:

[2] We analyzed bus driver and mechanic wages only, because these two classifications represented the highest salary costs in 1994–95.

- **The difference in reimbursable cost per reimbursable mile between contracting and non-contracting districts would have been approximately 19 percent greater if bus driver salary costs had been equal.**

This would have been the equivalent of $0.09 per reimbursable mile.

We also estimated the effect on the apparent cost difference between the two groups if bus mechanic salaries had been the same. We found that in the same year:

- **The cost difference in reimbursable cost per reimbursable mile between contracting and non-contracting districts would have been approximately six percent greater if bus mechanic salary costs had been equal.**

This would have been the equivalent of $0.03 per reimbursable mile.

Employee Benefits
Refer to Appendix E-11

Employee benefits are either required by law or determined by an employer. Those that are determined by federal or state law are computed as a percentage of wages paid and are a cost for all employers. As a group, non-contracting districts reported paying higher bus driver and mechanic wages than districts that contract for pupil transportation services. Consequently, their benefit costs were also higher.[3] We estimated the amount by which expenditures on benefits in non-contracting districts reflected the higher average wages paid in those districts. We found that in 1994–95:

Wage-based benefits in non-contracting districts were higher due to higher wages in those districts.

- **The difference in reimbursable cost per reimbursable mile would have been approximately two percent greater if benefit costs had been based on equal wage rates in the two groups.**

[3] Prior to the 1994–95 school year, district costs for FICA and PERSI were not included in the non-contracting districts reimbursement cost ratios. PERSI was addressed in Chapter 2.

This would have been the equivalent of $0.01 per reimbursable mile.

Other employee benefits are determined by employers. The amount an employer pays for benefits such as medical and life insurance and optional retirement programs, the number of employees eligible for those benefits, and the level of benefits provided vary between districts. Due to these differences, and the few districts that provided us details about their programs, we were unable to quantify the effect of these benefits on the apparent cost difference between contracting and non-contracting districts.

Bus Fleet Fuel Economy
Refer to Appendix E-12

Non-contracting districts operated more fuel efficient fleets than contractors.

Variations in the fuel efficiency of school buses can affect fuel costs for a district. Fuel efficiency is determined by such factors as bus engine type (e.g., diesel, gasoline), bus age, bus maintenance, driver habits, terrain, and driving conditions. We did not fully determine the extent to which these individual factors affected fuel efficiency in the two groups. However, we used data on engine type and vehicle fuel economy to compare differences between contracting and non-contracting districts in fuel efficiency. Compared as groups, contracting and non-contracting districts operated with differing levels of average fuel efficiency in their bus fleets. These differences affected the cost ratios.

We estimated the amount by which fuel efficiency differences between districts helped to explain the apparent cost difference between non-contracting and contracting districts. We found that in 1994–95:

- **Approximately six percent of the cost difference in the reimbursable cost per reimbursable mile between contracting and non-contracting districts could be attributed to variations in fuel efficiency.**

We estimate that contracting districts as a group paid more per mile in fuel costs. This would have been the equivalent of $0.03 per reimbursable mile.[4]

[4] The effect of state diesel fuel excise tax in contracting districts is excluded from this estimate. That effect was discussed in Chapter 2.

As a group, non-contracting districts had a higher proportion of diesel to gasoline buses: diesel buses made up 61 percent of the buses in non-contracting districts in 1994–95, compared to 42 percent of the buses in contracting districts. Diesel fleets were more cost-effective in fuel use for two reasons. First, diesel-powered buses traveled an estimated 59 percent farther per gallon of fuel than gasoline buses.[5] Second, diesel fuel for school districts was an estimated 15.3 percent cheaper per gallon than gasoline.[6]

Non-contracting districts had a higher proportion of diesel buses to gasoline buses.

We estimated the funds that would be saved each year if the remaining district-owned gasoline buses were converted to more efficient diesel buses. At the 1994–95 rate of fuel consumption, this conversion could save $655,000 per year in fuel costs. However, the cost of purchasing the new buses could be as much as $31.8 million.[7] Under the current department allowance for depreciation, the state would reimburse an additional $6 million to these districts the first year, and declining amounts for nine additional years. Other cost factors, such as mechanic training, tool requirements, and parts inventory requirements for diesel engines, could also affect decisions about converting to a more fuel efficient fleet.

Special Needs Transportation
Refer to Appendix E-13

Districts provide specialized transportation equipment or services to pupils who require extra assistance. Special needs transportation includes costs for buses equipped with wheelchair lifts, assistants who ride the buses, and transportation from school to medical service providers during the school day. The effect on a district's total transportation costs varies depending on the number of pupils in the district that require special services and the level of service required. Compared as groups, contracting and non-contracting districts appeared to deliver different amounts of special needs transportation. These differences affected the cost ratios.

Transportation for students with special needs affected district costs.

[5] This percentage was based on survey responses showing a state average of 8.1 miles per gallon for diesel fuel versus 5.1 miles per gallon for gasoline.

[6] This percentage was based on survey responses showing a state average of $0.88 per gallon for diesel fuel versus $1.04 per gallon for gasoline.

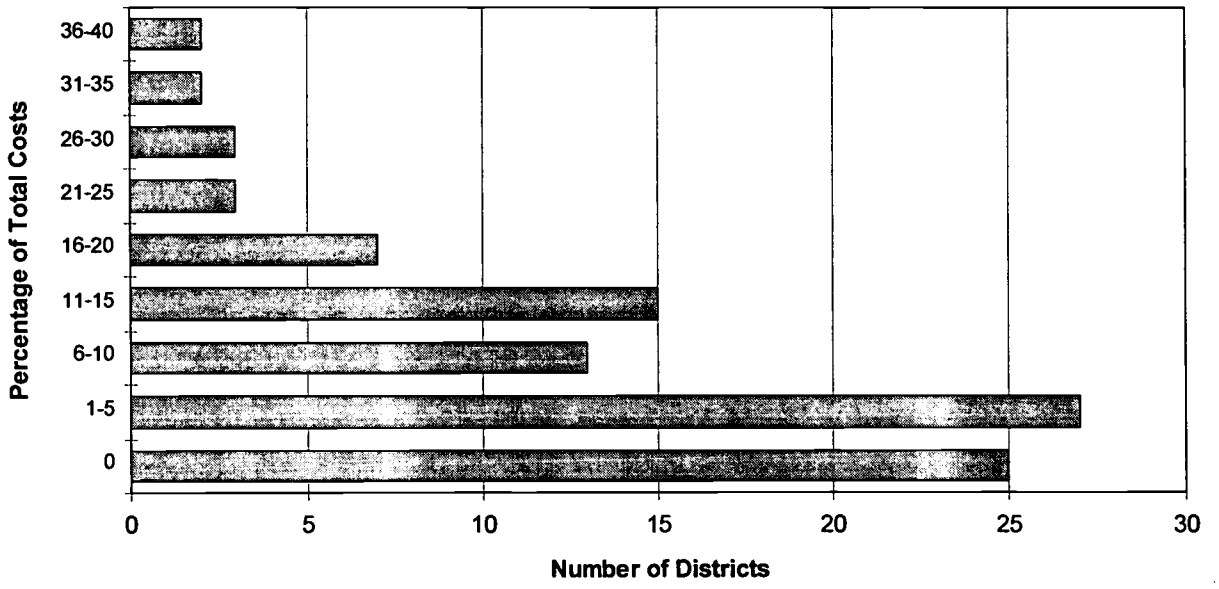
[7] This is the estimated cost of replacing 635 buses at an average of $50,000 each.

We asked districts to estimate the percentage of their total transportation costs that were related to special needs transportation. As Figure 3.1 illustrates, district estimates ranged from 0 to 40 percent of total transportation costs.

We estimated the effect of variation in costs for special needs transportation between contracting and non-contracting districts. We found that in 1994–95:

- **Approximately 33 percent of the difference in the reimbursable cost per reimbursable mile ratio between contracting and non-contracting districts could be attributed to variations in the amount of special needs transportation that districts provided.**

Figure 3.1: District Estimated Percentage of Transportation Costs Attributed to Special Needs Transportation, 1994–1995



n = 97

Source: Office of Performance Evaluations analysis of survey.

As a group, contracting districts reported that they had more costs associated with special needs transportation than non-contracting districts. This was the equivalent of $0.16 per reimbursable mile.

Contracting districts as a group reported more students and more costs associated with special needs transportation in 1994–95.

As noted, total costs for special needs transportation are related to the number of pupils who require this assistance. We determined that, as a group, contracting districts had a higher concentration of special needs pupils than non-contracting districts. According to department data on the number of students who received transportation services under an Individual Education Plan, 2,676 students required special needs transportation in 1994–95.[8] Almost 37 percent of these students resided in contracting districts, which make up 20 percent of all districts with transportation programs. Similarly, as a group, contracting districts had a higher concentration of buses dedicated to special needs home-to-school transportation. Of 196 special needs buses identified in our survey, 73 (37.2 percent) were in contracting districts.

Other Characteristics

Other district-specific characteristics can affect costs of pupil transportation. These characteristics include days of operation, student density, regional variation in prices, and district policy and management decisions. We describe these differences below, but did not quantify the effect they had on apparent cost differences between contracting and non-contracting districts.

Days of Operation

Idaho Code specifies the length of the school year in hours. Local school districts schedule these hours over a school year of about 180 days. However, some districts may choose to have shorter days and operate more total days. Districts operating more days can be expected to incur greater transportation costs than those operating fewer days.

On average, the two groups of districts operated the same number of days.

[8] An Individual Education Plan describes a pupil's special needs and defines what services will be provided to help that pupil meet specified educational objectives. Transportation to medical services or classes in other locations during the school day may form part of such a plan.

We reviewed department records of school calendars for all districts to determine whether this factor could have a measurable effect on reimbursable cost measurements. We found:

- **In the 1994–95 school year, there was little difference between contracting and non-contracting districts in the average number of days of operation.**

As a group, contracting districts operated an average of 175.6 days, compared to an average of 175.9 days for non-contracting districts. One district operated its schools on a year-round, multi-track calendar. This difference accounted for an insignificant fraction of the difference in cost ratios.

Student Density

Where pupils live within a district can affect the costs to transport them to school. Districts with pupils dispersed over a wide area are likely to have longer ride times than more densely populated areas, but should be able to operate their buses at more fuel-efficient speeds.

On average, the two groups reported similar percentages of rural ridership.

We examined the extent to which rural and urban distributions in ridership differed between contracting and non-contracting districts. We asked districts to estimate the percentage of their pupil enrollment and ridership that was rural in 1994–95.[9] We found:

- **There was little difference between contracting and non-contracting districts in the proportion of all transportation provided to rural areas.**

Contracting districts as a group characterized 80 percent of their ridership as rural, while non-contracting districts as a group characterized 82 percent of their ridership as rural. The results are summarized in Table 3.2.

We did not analyze the effect this difference may have had on the cost ratios, due to the similarity between the responses in the two groups. However, differences between individual districts could

[9] We defined rural as area with "low student density, large distances between student pick-up points, large average distance from home to school narrow paved or unpaved roads, few services (if any)."

Table 3.2: Reported District Population and Ridership in Contracting and Non-Contracting Districts, 1994–1995

	Contracting		Non-Contracting	
	Enrollment	Ridership	Enrollment	Ridership
Rural population	73%	80%	64%	82%
Urban population	27%	20%	36%	18%
TOTAL	100%	100%	100%	100%

Source: Office of Performance Evaluations analysis of survey responses.

affect district cost ratios. For example, in terms of enrollment and ridership, the most sparsely populated district had 0.02 pupils per square mile (one pupil for every 50 square miles) in 1994–95 and a ridership density of 0.01 pupil per square mile (one pupil per 100 square miles). In contrast, the district with the highest pupil density had 222 pupils per square mile and 78 riders per square mile.

District Policy and Management Decisions

District decisions about how to manage schools and transportation programs influence transportation costs. For example, at least one district policy prohibits transporting high school pupils with elementary pupils. Other districts mix grade levels on buses to reduce the number of routes needed.

District management decisions, such as school starting times, school assignments, and bus age, may also affect costs.

Other policy decisions also affect costs. These include:

- School starting and ending times affect the synchronization of routes and the ability to run multiple routes with a single bus.
- The location of students relative to the schools to which they are assigned can increase or reduce transportation times and, therefore, costs. Some factors beyond the district's control, such as new neighborhood growth, may require bus service over differing distances.

- The number of spare buses that a district maintains can affect fleet maintenance costs. According to a pupil transportation industry survey, fleets nationwide maintain an average of 12 percent of their buses as spares for emergency uses. According to data from our survey, school districts in Idaho maintain an average of 20 percent of their buses as spares.
- The age of buses can affect fuel efficiency and maintenance costs. Older buses are likely to require more maintenance and be less fuel efficient than newer buses. As a group, contracting districts had buses that were five percent older than buses in non-contracting districts. In 1994–95 the average fleet age, weighted for the number of buses in each district, was 8.4 years in contracting districts, compared to 8.0 years in non-contracting districts.

Measurement of the effect of these differences on contracting and non-contracting districts would require detailed analysis of the policies, circumstances, and options available in all 110 districts.

Regional Variation in Prices

The location of a district within the state also influences transportation costs. Districts far from major population centers may face higher product or labor costs. For example:

- Personnel in one district told us they drive 186 miles to have buses serviced.
- Districts located in the greater Boise area reported hourly wages for bus drivers lower than reported in some rural areas.
- According to the American Automobile Association, fuel costs in Idaho are typically five percent higher north of Grangeville than elsewhere because of costs in transporting fuel to these locations and price variations from fuel sources.

Topography and Weather

Districts located in mountainous areas with steep grades will place greater wear and tear on their vehicles. The topography of these districts can result in longer driving times for a given distance than in districts with level terrain. Vehicle maintenance, personnel costs, and fuel costs would increase under these conditions. In addition, severe weather conditions can increase driving and waiting times, warm-up times, fuel costs, and maintenance costs. Districts that experience long or heavy

winters can be expected to have higher operating costs than those in milder climates.

District Measurement Ratios
Chapter 4

In this chapter, we examine the methodology the Department of Education uses to calculate the cost per mile and cost per rider ratios. We also evaluate and quantify the effect of the methods on the difference in the ratios between non-contracting and contracting districts as groups.

The methods used to calculate the cost ratios contribute to the difference between contracting and non-contracting districts.

The ratios are calculated using three variables: the net reimbursable costs of pupil transportation, the total miles driven for reimbursable purposes, and the number of pupils receiving home-to-school transportation on an average daily basis. We identified steps in the calculation of two of these three variables that affect the cost ratios.[1]

In summary:

- The department calculates reimbursable costs differently for contracting and non-contracting districts, due, in part, to differences in the way districts report the costs.
- The department uses the number of home-to-school riders in the cost ratios, but as related to reimbursable costs for transporting pupils for other purposes as well.
- The department has not defined a specific method for districts to count and report ridership.

We estimate that differences in the calculation methods, taken together, accounted for 6 percent of the apparent difference in reimbursable cost per reimbursable mile, and 19 percent of the apparent difference in reimbursable cost per average daily rider. This would have been the equivalent of $0.03 per reimbursable mile and $19.62 per average daily rider.

[1] Our analysis of the third variable, reimbursable mileage, appears in the discussion of the reimbursable cost calculation.

Reimbursable Cost Calculation

Some transportation activities are not reimbursable.

As discussed in Chapter 2, Idaho Code requires the State Board of Education to determine the cost components and the transportation activities that will be eligible for state reimbursement. The State Board has adopted rules specifying that home-to-school transportation will be reimbursed, while other transportation, such as trips to team competitions, will not. However, districts cannot easily separate the costs of transportation for one activity from total costs. Many costs of operating a transportation system are fixed, and variation in other costs can be difficult to associate with a specific activity.

The department has defined a method to separate reimbursable costs.[2] Using this method, districts reduce their total allowable costs by a ratio of reimbursable miles to total miles driven. For example, a district that reports that 75 percent of the miles driven were for home-to-school transportation or other reimbursable purposes would receive a reimbursement based on 75 percent of its allowed operating costs.

Currently, contracting districts determine the costs of non-reimbursable activity. This determination is made by the state for non-contracting districts.

The calculation has differing effects in contracting and non-contracting districts. We found:

- **The current reimbursement calculation method permits the cost of non-reimbursable activity to be determined at the local level for contracting districts, while this determination is made by the state for non-contracting districts.**

In non-contracting districts, all allowable costs except depreciation, administrative allowances, and in-lieu payments, are divided between reimbursable and non-reimbursable miles. However, contract costs, which include the equivalent of operating costs for contracting districts, are not divided in the same way between reimbursable and non-reimbursable activity miles in the current calculation. In contracting districts, the portion of total transportation costs that will be allocated to non-reimbursable activity is determined in the contract bid.

[2] Idaho Administrative Code, October 5, 1994, Vol. 1, IDAPA 08.02.07.400.03.e. This method is in administrative rule and is provided to districts each year on Schedule C of the reimbursement claim form.

This affected the average reimbursable cost of a mile for the two groups. In 1994–95, the average cost per mile in contracting districts as a group was 63 percent higher for reimbursable transportation than for non-reimbursable transportation. In contrast, in non-contracting districts as a group a mile of reimbursable transportation cost only 21 percent more. These differences are summarized in Table 4.1.

Consequently:

- **In the 1994–95 school year, the state reimbursed a greater percentage of total reported pupil transportation costs in contracting districts than in non-contracting districts.**

As Table 4.2 shows, the department reimbursed 81 percent of the total reported costs in contracting districts, compared to 77 percent of the total reported costs in non-contracting districts in 1994–95.[3] In compiling a transportation bid for a district, a contractor may choose to recover full business costs through the price set for reimbursable transportation, including home-to-

In 1994–1995, the state reimbursed 81 percent of total reported costs in contracting districts, compared to 77 percent in non-contracting districts.

Table 4.1: Differences in the Cost of Reimbursable and Non-Reimbursable Mileage, 1994–1995

	Non-Contracting	Contracting
Cost of reimbursable mile[a]	$ 1.78	$ 2.26
Cost of non-reimbursable mile	$ 1.47	$ 1.39
Difference	$ .31	$ .87
Higher cost of reimbursable mile	21%	63%

[a] Excludes in-lieu/special contracts, as these expenditures are unrelated to the operation of yellow bus fleets and do not relate to bus mileage or average daily ridership.

Source: Office of Performance Evaluations analysis of Department of Education *Pupil Transportation Financial Summaries* (Boise), and reimbursement claim forms.

Table 4.2: Differences in Percentage of Reimbursed Costs in Contracting and Non-Contracting Districts, 1994–1995

	Total for Contracting Districts	Total for Non-Contracting Districts
Total costs[a]	$13,500,853	$34,290,469
Reimbursed costs	$10,941,697	$26,370,160
Percentage of total costs reimbursed	81%	77%

[a] Includes district operation costs, administration allowances, in-lieu payments, reimbursable contract costs, non-reimbursable contract costs, and depreciation.

Source: Office of Performance Evaluations analysis of Department of Education *Pupil Transportation Financial Summaries* (Boise), and reimbursement claim forms.

school travel and allowed activities. This portion of the contract is assured at the beginning of a contract. On the other hand, transportation for non-reimbursable activities varies during the year. As a result, contractors may be less likely to give equal weight to non-reimbursable activities when determining their pricing policies.

This bias in the treatment of the two types of districts could be removed by adjusting the calculation of reimbursable costs. We estimated the effect of this adjustment on reimbursable costs by dividing *all* transportation costs, including contract costs, between reimbursable and non-reimbursable mileage. We found that:

[3] These percentages are lower than the statutory rate of 85 percent of allowable costs because the department allocates a portion of the allowable costs to non-reimbursable program miles. Also, the department does not require districts to report costs that the district knows to be non-reimbursable. The percentages reimbursed would change if those costs were included.

- **Across all districts, the department would have reimbursed $709,000 less for 1994–95 transportation costs if a uniform method had been used to calculate reimbursable costs. These funds would have been distributed to school districts through the rest of the school funding formula.**

Table 4.3 illustrates the effect a uniform calculation would have had on reimbursable transportation costs.

A uniform method of calculating reimbursements would reduce the difference in cost ratios.

The reduction in reimbursement would have affected the reimbursable cost ratios to different degrees in the two groups of districts. We found that for 1994–95:

- **Approximately six percent of the apparent cost difference between contracting and non-contracting districts could be attributed to the department's current method of calculating reimbursable costs.**

We estimate that the difference in reimbursable cost per reimbursable mile would have been $0.03 less between the two groups if contracting and non-contracting districts had been treated uniformly in terms of depreciation and contract costs. Table 4.4 summarizes the effect of the recalculation on the reimbursable cost per reimbursable mile ratio for both groups of districts.

The department has not followed the uniform calculation method specified in administrative rule.

Administrative rule specifies that depreciation and contracting costs shall be included when determining the cost of non-reimbursable transportation.[4] However, the department has not required districts to adhere to these requirements.

Department personnel were unaware the process they followed had not been meeting the requirements of administrative rule. They told us that practice had evolved over time without rule being modified. Department staff told us they had not allocated any portion of contracting costs to non-reimbursable activity because contracting districts were able to separate out costs for non-reimbursable transportation using contractors' billings.

[4] Idaho Administrative Code, October 5, 1994, Vol. 1, IDAPA 08.02.07.400.03.e, effective February 1987.

Table 4.3: Calculation of District Reimbursements Under Current and Adjusted Methods, 1994–1995

	Current Department Practice	Adjusted Method	Difference
Allowable operating costs incurred by district	$29,506,890	$29,506,890	
Reimbursable contract busing service	0	12,566,086	
Non-reimbursable contract busing service	0	625,310	
Depreciation	0	4,670,340	
Total Operating Costs	**$29,506,890**	**$47,368,626**	
Reimbursement factor[a]	1.1537	1.8690	
Reimbursable costs[b]	$26,455,688	$42,857,560	
Administrative allowance	21,684	21,684	
In-lieu/special contracts	401,012	401,012	
Reimbursable contract busing service	12,566,086	0	
Non-reimbursable contract busing service	0	0	
Depreciation	4,670,340	0	
Payment received	(125,417)	(125,417)	
Adjusted for ineligible riders	(93,093)	(93,093)	
Reimbursable costs	**$43,896,300**	**$43,061,746**	
Reimbursement at 85%	**$37,311,857**	**$36,602,485**	**($709,372)**

[a] The reimbursement factor is computed by dividing total costs by total miles for each district. The total weighted factor in this table is computed by dividing reimbursable costs by the total reimbursable miles.

[b] Reimbursable costs were computed separately for each district. The sum of those costs is included here.

Source: Department of Education, *1994–95 Pupil Transportation Financial Summary* (Boise), and Office of Performance Evaluations analysis.

Table 4.4: Difference in Reimbursable Cost Per Reimbursable Mile Ratio Under Current and Adjusted Methods, 1994–1995

	Current Department Practice	Adjusted Method	Difference
Contracting districts			
Reimbursable costs	$12,872,585	$12,527,774	
Reimbursable cost per reimbursable mile	$2.26	$2.20	(.06)
Non-contracting districts			
Reimbursable costs	$31,023,715	$30,531,091	
Reimbursable cost per reimbursable mile	$1.78	$1.75	(.03)
Net difference in reimbursable cost per reimbursable mile			**(.03)**

Source: Department of Education, *Pupil Transportation Financial Summaries* (Boise), and Office of Performance Evaluations analysis of survey results.

Further, department staff told us they had not allocated any portion of the depreciation allowance to non-reimbursable activity because bus value would depreciate regardless of the type of transportation it provided. Allocating costs to non-reimbursable activity would reduce the funds non-contracting districts received for bus replacement. According to department personnel, this could result in an older and less safe bus fleet.

Because these policies are not in administrative rule, the State Board has not formally reviewed these changes or approved the policy shifts they represent, as well as their financial ramifications. Therefore:

We recommend the State Board of Education review department practices regarding the calculation of reimbursements for depreciation and contract costs to ensure consistency with administrative rule.

We recommend that the State Board of Education review department practice regarding calculation of reimburse-ments.

When determining how to implement this change, the State Board and the department may wish to consider the effect that a change in practice would have on reimbursements for all districts. If the transportation reimbursements were reduced, general school district support through the funding formula would increase. However, a given district's net gain or loss would vary, due to other factors included in the funding formula. For example, we estimate that for 1994–95, one district would have lost $15,462 in pupil transportation reimbursements under strict adherence to rule, but gained $74,456 in general school funding, a net increase of $58,994 for the district. Other districts would have experienced a net loss in total funding.

Use of Average Daily Rider Counts

The use of home-to-school ridership in the reimbursable cost per average daily rider ratio affects the ratio's validity as a measurement tool in two ways. First, the ratio divides the total costs for all reimbursable transportation activities by the number of riders for home-to-school transportation. Second, the department has not clearly defined the method by which districts should count the pupils, leading to variations in the ratio due to district counting methods. Both affect the accuracy of the ratio and, therefore, its usefulness as a comparative measurement.

Relating Home to School Ridership to Total Costs
Refer to Appendix E-15

The cost per rider ratio overstates the cost to transport students from home to school.

Figure 4.1 summarizes the Idaho Code, administrative rule, and department practices that define which transportation activities may be reimbursed. As shown, transportation for such activities as summer programs, shuttle trips, and certain field trips are reimbursable. As discussed, districts determine reimbursable costs by allocating costs according to mileage driven for reimbursable and non-reimbursable activities. Therefore, total reimbursable costs include costs for that portion of total mileage driven for home-to-school *and* approved activities. However, the divisor in the reimbursable cost per average daily rider ratio is the number of home-to-school riders. As a result, we found that:

- **The reimbursable cost per average daily rider ratio overstates the actual cost to transport each daily rider.**

Figure 4.1: Definitions of Reimbursable and Non-Reimbursable Mileage

Reimbursable

Idaho Code § 33-1006	• Costs for transporting pupils 1.5 miles or more to school. • Costs for transporting pupils less than 1.5 miles when approved by the State Board of Education ("safety busing"). • Costs for transporting to and from approved school activities according to State Board of Education rule.
IDAPA 08.02.07.400.03a	"Field trips shall be reimbursable when they are approved school activities that are truly a part of the total education program and occur during the regular school year and extend not more than one hundred (100) miles beyond the boundaries of the state. The district shall maintain accurate records of all field trips including the purpose of the trip and mileage."
By department practice	• Costs for transporting pupils between schools for instructional purposes ("shuttle trips"). • Costs for transporting pupils to certain summer school programs. • Costs for other mileage in certain circumstances, such as travel to and from a repair facility or storage area.

Non-reimbursable

IDAPA 08.02.07.400.03b	"The following activities which are under the jurisdiction and sponsorship of the Idaho High School Activities Association shall not be reimbursable: baseball, basketball, cross country, debate, drama, drill team, football, golf, instrumental music, speech, tennis, track, vocal music, volleyball, and wrestling. In addition to these, any other school activity that is scheduled and held for competition purposes is not reimbursable."
IDAPA 08.02.07.400.03c	"The costs of transporting athletes or students to and from extracurricular activities are not reimbursable."
IDAPA 08.02.07.400.03d	"Districts will be permitted flexibility in scheduling bus routes; however, activity busing which results in duplicating service to an area is not reimbursable."

Source: Idaho Administrative Code, October 5, 1994, Vol. 1, IDAPA 08.02.07.400.03.

The effect of this overstatement varies by district, depending on district decisions about busing for approved activities. It is unlikely that district decisions are related to whether the district contracts for transportation services. However, the overall effect was greater for contracting districts as a group than for non-contracting districts. We found that in 1994–95:

- **Approximately 12 percent of the difference between contracting and non-contracting districts in the average daily rider ratio could be attributed to the comparison of home-to-school ridership to costs that include other types of transportation.**

This accounted for $12.95 of the difference in cases per average daily rider. This analysis had no effect on the ratio of reimbursable cost per reimbursable mile, because that ratio does not rely on rider counts.

Reporting Pupil Ridership

We asked districts to report their ridership by route. The counts they reported on our survey varied from those reported to the department, as shown in Table 4.5. In 1994–95 contracting districts as a group reported a slightly higher average daily ridership to the department than on our survey, and non-contracting districts reported a slightly lower ridership to the department than on our survey.

As shown, these differences had a measurable effect on the reimbursable cost per average daily rider ratio. We found:

- **The reimbursable cost per average daily rider ratio is sensitive to variations in ridership.**

In 1994–95 the difference in reimbursable cost per average daily rider between contracting and non-contracting districts as a group would have increased by $6.44 (6 percent) if the alternative ridership counts from our survey had been used.

The department requires districts to report average daily ridership on their claims for reimbursement.[5] The instructions tell districts

[5] Reimbursement claim form, Schedule C.

Table 4.5: Variation in Reported Pupil Ridership, 1994–1995

	Contracting Districts		Non-Contracting Districts		Statewide Total	
	Number of Riders	Cost/Rider	Number of Riders	Cost/Rider	Number of Riders	Cost/Rider
From reimbursement claim forms	27,749	$461.93	85,677	$358.06	113,426	$383.47
From OPE survey	27,432	$467.27	85,941	$356.96	113,373	$383.64
	317	($5.34)	(264)	$1.10	53	($0.17)

Source: Department of Education, *1994–1995 Pupil Transportation Financial Summary* (Boise), and Office of Performance Evaluations analysis of survey results.

to count all pupils who ride and request that they count pupils only once per day. Although ridership within a district varies during the course of the year, the instructions do not specify the days or times to perform the count. Crop cycles, sports seasons, weather, and other factors all can influence ridership on a given day.

District personnel use a variety of methods to count riders.

In our survey, we asked districts how they counted the ridership they reported to the department. Fifty-six percent of the districts told us they used an average of actual counts made daily. Twenty-six percent of the districts said they used an average of counts made monthly, although we did not determine if each of these made the count on the same day of the month. The remaining districts told us they reported average weekly counts or counts made at other intervals. One district reported ridership on the day with the highest classroom attendance. Officials in another district reported they increased their actual count by ten percent to account for increases in ridership during inclement weather. As a result, we found that:

- **District reported ridership provides an unreliable basis for comparing transportation costs between districts.**

Department personnel told us they do not audit the ridership number, and believe this would be unwarranted as funding for

Requiring districts to follow a specific method for counting riders could improve the reliability of ridership data.

pupil transportation is not based on the number of pupils riding buses. However, ridership is used in calculating ratios that are used to compare district costs. Also, as shown in a previous report, ridership is used in deducting funding from districts in certain cases.[6] If districts were required to use consistent methods to count riders, the comparability of counts between districts would be improved. Therefore:

We recommend the Department of Education define a specific method for districts to use when they count pupil ridership and require districts to follow it when reporting ridership to the department.

For example, districts could measure ridership on the same day they determine the annual fall enrollment. Alternatively, drivers could count riders on three specified days during the year and report the average.

Use of the Reimbursable Cost Per Average Daily Rider Ratio

The reimbursable cost per average daily rider ratio is an inconsistent representation of reimbursable district transportation costs. The ratio contains at least two weaknesses:

- The relationship between ridership and transportation costs is weak. For example, if the number of passengers on a route doubles, actual transportation costs would *increase* marginally with increased travel distance and time. However, on a per-pupil basis, the apparent cost would *decrease* by approximately one-half.
- The ratio is sensitive to changes in ridership, as noted in this chapter. Ridership varies and is difficult to measure accurately.

The department may wish to discontinue publication of a cost per rider ratio.

Due to these weaknesses, the department may wish to consider discontinuing the publication of a cost per rider ratio. However, should the department decide to continue publishing it, the ratio should be adjusted to represent home-to-school costs for home-to-

[6] Districts transporting ineligible and non-enrolled riders are required to reduce their reimbursement claims for the cost of transporting those riders on a pro-rated reimbursable cost per average daily rider basis. Idaho Administrative Code, October 5, 1994, Vol. 1, IDAPA 08.02.07.250.04.l.

school riders. Home-to-school costs may be calculated using mileage already reported by districts.

Pupil Transportation Responsibilities at the Department of Education

Epilogue

Our evaluation of pupil transportation involved four areas: cost differences between contracting and non-contracting districts, department oversight of pupil transportation contracts, safety busing, and routing software. In the course of our review, we had several findings and made recommendations regarding the functions performed in the pupil transportation section. The original purpose of the section, as stated by law, rule, and department policy, was the safety of children riding school buses. Over time, however, the responsibilities of section staff have evolved, both in law and in practice. During the same time, staffing has remained relatively unchanged.

The responsibilities of state pupil transportation staff have evolved over time.

This chapter reviews the history of the pupil transportation program, sets forth the responsibilities for this program at the district and state levels, and recommends a State Board and department review of current requirements and resources to establish priorities and determine staffing needs.

History

The original School Transportation Act of 1947 gave the State Board of Education oversight responsibilities, including:

- The duty to promulgate rules determining the districts' transportation allowances;
- The duty to establish standards for school bus construction;
- The duty to review and approve contracts for pupil transportation.[1]

[1] 1947 Idaho Session Laws 768 (later repealed and recodified at IDAHO CODE § 33-1501 *et seq.*).

Since the passage of the Act, many responsibilities for administering transportation programs and distributing state funding have shifted from the State Board of Education to the Department of Education. The Department of Education has been given responsibility for pupil transportation functions that had been performed by other boards or agencies, and has assumed responsibility for areas in which staff perceived the need to provide additional services.

Historically, safety has been a primary concern in law and in practice.

For example, in 1980 the duty to inspect new school buses prior to their use was transferred to the State Department of Education from the Department of Law Enforcement.[2] At the same time, the department was directed to "conduct random, spot inspections of school buses throughout the school year," to ensure districts were doing a thorough job of inspecting all school buses prior to the start of each school year.[3] The 1980 law also required the State Board of Education's supervisor of school transportation to be responsible for a school bus driver training program.

These changes in responsibilities led to organizational changes within the Department of Education. In 1980 the pupil transportation section added staff, increasing from one half-time person to one and one-half staff plus secretarial support. Since that time, transportation personnel have also taken on new responsibilities to meet perceived needs. For example, before 1980, school district reimbursement claim forms were not reviewed for accuracy or for the appropriateness of their claims. After discovering mistakes in some claims, pupil transportation staff decided to review all transportation reimbursement claims for potential errors. Some of the steps required to determine appropriate claims involve calculating depreciation allowances for bus purchases and determining allowable costs for safety busing and routing software. Staff also compile this information in an annual financial summary. Another example of duties taken on by pupil transportation staff is the in-depth safety and financial reviews of three selected school districts each year. According to

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2 1980 Idaho Session Laws 852 (codified at IDAHO CODE § 33-1506). This responsibility had been given to the Department of Law Enforcement in the 1963 recodification of the School Transportation Act. Although the Department of Law Enforcement no longer has the statutory duty to conduct school bus inspections, it did conduct some inspections for a brief period in 1988, using funding from a federal grant.

3 1980 Idaho Session Laws 852, 853 (codified at IDAHO CODE § 33-1506).

department staff, this requires three weeks of site visits plus preparation and report writing time. These duties were not specifically assigned by law or by the State Board, but have become part of the regular duties of pupil transportation staff.

In 1989 the legal responsibility to approve a form for pupil transportation contracts was shifted from the State Board of Education to the Superintendent of Public Instruction.[4] At approximately the same time, the Supervisor of Pupil Transportation was promoted to Supervisor of Support Services to oversee pupil transportation, school facilities, and other functions. A full time staff person was added to the pupil transportation section to replace the supervisor's full time involvement. Currently there are two full time staff plus a secretary working in pupil transportation, with supervision and occasional assistance from the Supervisor of Support Services. Figure 5.1 illustrates the location of the pupil transportation section within the department.

Current Responsibilities

By Law

Responsibilities for providing and funding pupil transportation are divided among the State Board of Education, the State Department of Education, and local school districts. State law outlines the specifics of some of the responsibilities involved, and provides for others in broad terms. Figure 5.2 outlines the current division of responsibilities according to the provisions of Idaho Code. Overall, state law invests the State Board with ultimate authority over K–12 education. The Board may delegate some responsibilities to the Department of Education or the school districts.

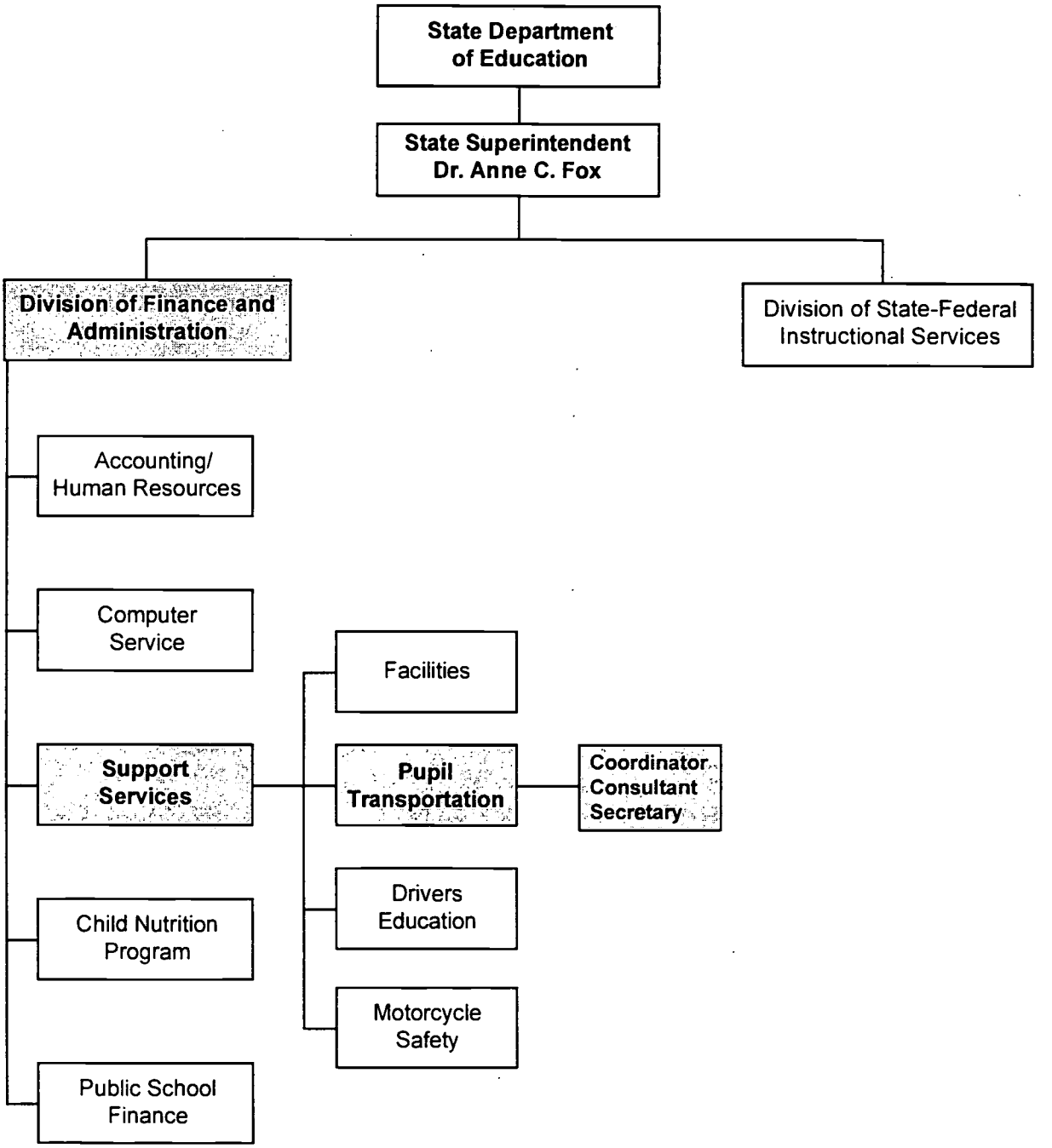
By law, the State Board of Education has authority over K–12 education, and may delegate responsi-bilities to the department.

In Practice

According to department staff, the State Board of Education provides formal guidance to the department through deliberations at Board meetings. We reviewed State Board of Education minutes from 1989 through 1995 to determine how often the State Board discussed pupil transportation, and with what issues it

[4] 1989 Idaho Session Laws 4 (codified at IDAHO CODE § 33-1510).

Figure 5.1: Responsibility for Pupil Transportation Within the State Department of Education



Source: Office of Performance Evaluations analysis of the State Department of Education organizational charts.

Figure 5.2: Statutory Responsibilities for Pupil Transportation

State Board of Education	State Department of Education	Local School Districts
33-105: Has power to make rules for the State Department of Education, to appoint employees, and assign employees' duties.	33-125: Established as an executive agency of the State Board of Education. Gives the State Superintendent the responsibility for carrying out all policies and duties relating to elementary and secondary school matters.	33-512: Each district's Board of Trustees required to govern the district in compliance with state law and rules of the State Board of Education.
33-107: Has power to enforce the school laws of the state.	33-1506: Required to inspect new school buses prior to use, and conduct random, spot inspections of school buses throughout the school year.	33-1510: District contracts for the transportation of pupils required to be in writing, for a maximum of five years. No contracts are to be awarded without first inviting bids, with two weeks' notice.
33-116: Has supervision and control over all school districts in Idaho.	33-1510: Requires all contracts for the transportation of pupils to be in writing in a form approved by the State Superintendent.	
33-1006: Is required to determine which costs of transportation are allowable, including reimbursement for safety busing.	33-1511: Department staff person designated as responsible for a school bus driver training program.	
33-1511: Is required to assign a staff person as supervisor of school transportation, to be responsible for a school bus driver training program.		

Source: Idaho Code (1995).

dealt. During that period the Board discussed pupil transportation at 23 of its 84 meetings. Of those, 16 involved requests for approval to reimburse safety busing, a determination that the Board is legally required to make. Of the remaining 7 meetings at which the Board discussed pupil transportation, only 2 dealt with reimbursement issues. The minutes over this period do not reflect any discussion of staff responsibilities or the duties involved in driver safety training.

The State Board of Education also provides direction through administrative rule. According to department staff, many of the pupil transportation responsibilities of the State Board of Education have been delegated to the State Department of Education. For example, State Board rules require new drivers to complete a training series that has been developed, but neither the rules nor any other guidelines provide direction as to what the series should include or how much time department staff should spend developing it. Consequently, the development and supervision of that program is left to department staff. In a similar way, although the Board is authorized to determine the allowable costs of school district transportation programs, reimbursement policies related to debt service and insurance have been set at the department level.

Department staff have not received clear guidance from the State Board of Education regarding their responsi-bilities.

Staff have not received clear guidance from the State Board of Education regarding their responsibilities, and have continued to make safety a main priority, consistent with the historical duties of the pupil transportation section. Staff duties related to safety include inspecting buses, riding bus routes, holding workshops for school bus technicians, and coordinating driver safety training. According to the department's fiscal year 1996 work plan, staff will have visited 26 districts this year to inspect approximately 230 buses and ride 150 routes. Department officials told us these inspections require about one-fourth of the year for the two full-time transportation staff.

Since the mid 1980's, pupil transportation staff have sought guidance from a Pupil Transportation Steering Committee.[5] According to department officials, the purpose of the committee is to serve as a sounding board for pupil transportation policies and goals, and may include providing guidance on proposed legislation and rule changes. For example, committee members were contacted for their input regarding a new law related to drivers who ignore school bus warning devices.[6] A review of Committee minutes indicates that members also act as conduits of the most recent policy and training information to district personnel.

Areas of Concern

Since 1980, the pupil transportation section has been given additional duties by law and by rule, and also has taken on new duties to meet perceived needs. During the same time, the number of staff handling the responsibilities has increased only slightly. As a result, we are concerned that:

We found evidence that staff may have insufficient resources to perform all responsi-bilities well.

Department staff may not have sufficient resources to adequately fulfill the responsibilities they currently perform.

In the course of our evaluations, we identified several areas of concern. In brief:

Reimbursement Issues

- When the State Board does not approve reimbursement for safety busing that has already occurred, department staff must remove the costs of safety busing from the district's pupil transportation reimbursement. We found that between 1991 and 1994 the department adjusted the reimbursement for six

[5] The committee consists of transportation supervisors from six regions of the state and the president of the Idaho Association of Transportation Supervisors, serving staggered three-year terms. Currently, the committee includes six transportation supervisors from non-contracting districts and one pupil transportation contractor. The committee meets in Boise twice each year for one or two days. Members from non-contracting districts may claim their expenses as reimbursable transportation costs, for which the state pays 85 percent. The contractor does not receive direct reimbursement of travel expenses to attend meetings.

[6] 1996 Idaho Session Laws, ch. 242.

districts, using two different methods of calculating the cost. This resulted in unequal treatment of school districts.

- Department staff must apportion certain pupil transportation expenses between reimbursable and non-reimbursable mileage. We found that the department does not divide the costs for bus depreciation into reimbursable and non-reimbursable miles for non-contracting districts. For contracting districts, the department allows the contractors and their districts to allocate costs between reimbursable and non-reimbursable miles through their contract arrangement, rather than apportioning all costs through the formula found in rule. As a result, approximately $700,000 has been paid out annually through the transportation program that otherwise would have been paid through the school funding formula.

Oversight Issues

- State law requires contracts for pupil transportation services to be "in a form approved by the state superintendent of public instruction," and department staff keep copies of the contracts on file.[7] Our review of pupil transportation contracting found that of 23 contracting districts, at least 7 had contracts that violated state bidding or contracting laws.
- Department staff determine the allowable costs of computer routing software. The department has specified it will not pay for software that does not have routing capabilities, but paid one district's 1994-95 reimbursement claim for database software that could not generate routes. In other cases, the department paid for travel expenses associated with training in the use of software, even though its guidelines stated that such expenses were not reimbursable.

Review of Responsibilities and Resources

The State Department of Education has already begun addressing many of the issues identified in the two reports we released earlier this year. Department staff told us they have adjusted the means by which they calculate safety busing costs, which should eliminate inconsistencies between districts that have those costs

[7] IDAHO CODE § 33-1510 (1995).

removed. In addition, the department has arranged for additional review of contracts by a deputy attorney general, to avoid future problems in this area.

Despite these improvements, we believe the responsibilities and resources of the pupil transportation staff should be addressed in a comprehensive manner.

Therefore:

We recommend the State Board of Education and the State Superintendent of Public Instruction review current policies, priorities, and staffing decisions within the pupil transportation section.

We believe the review should establish priorities for the section and determine the resources necessary to provide them. Based on such a review, the department may want to reorganize departmental resources to take advantage of expertise in other sections. The review may also result in recommended changes in Idaho Code or administrative rule.

We recommend the State Board and State Superintendent review department priorities and staffing needs.

Appendix A

Department of Education Reimbursable Cost Ratios for Idaho School Districts, 1994–1995

School District[a]	District Number	Reimbursable Cost Per Mile	Reimbursable Cost Per Pupil
Aberdeen	58	$1.46	$340.21
American Falls Joint	381	1.94	592.11
Arbon Elementary	383	1.01	732.79
Avery	394	1.36	1,286.43
Basin Elementary	72	1.24	638.45
Bear Lake County	33	1.29	448.51
Blackfoot[b]	55	2.14	325.09
Blaine County	61	1.62	526.45
Bliss Joint	234	1.56	479.47
Boise, Independent of, City[b]	1	2.39	551.56
Bonner County	82	1.83	362.43
Bonneville Joint	93	2.04	297.96
Boundary County	101	1.69	451.63
Bruneau-Grand View Joint	365	1.22	387.64
Buhl Joint[b]	412	3.16	918.38
Butte County Joint	111	1.66	507.79
Caldwell[b]	132	2.96	516.74
Camas County	121	1.06	462.86
Cambridge Joint	432	1.56	498.89
Cascade	422	1.37	307.73
Cassia County Joint	151	1.62	343.51
Castleford Joint[b]	417	1.57	474.45
Challis Joint	181	1.47	469.97
Clark County Joint	161	1.07	1,462.43
Coeur d'Alene	271	2.35	473.06
Cottonwood Joint[c]	242	1.89	425.95
Council	13	2.18	729.18
Culdesac Joint	342	1.35	465.86
Dietrich	314	1.06	500.18
Emmett Joint[e]	221	2.04	271.86
Filer[b]	413	2.28	447.75
Firth	59	1.51	301.14
Fremont County Joint	215	1.55	291.86
Fruitland	373	2.05	267.63

Table continued on next page.

School District	District Number	Reimbursed Cost Per Mile	Reimbursed Cost Per Pupil
Garden Valley[b]	71	1.65	470.20
Genesee Joint	282	1.58	633.70
Glenns Ferry Joint	192	1.75	359.45
Gooding Joint[b]	231	1.91	337.35
Grace Joint	148	1.88	375.57
Grangeville Joint	241	1.48	504.68
Hagerman Joint[b]	233	1.88	375.49
Hansen	415	0.95	303.07
Highland Joint[b]	305	2.03	797.10
Homedale Joint	370	1.84	342.62
Horseshoe Bend	73	1.73	206.24
Idaho Falls	91	2.65	529.01
Jefferson County Joint	251	1.46	303.13
Jerome Joint[b]	261	2.23	454.37
Kamiah Joint	304	2.14	418.97
Kellogg Joint	391	2.06	542.22
Kendrick Joint	283	1.39	398.11
Kimberly	414	1.79	371.78
Kootenai Joint	274	1.63	465.17
Kuna Joint	3	1.61	329.38
Lakeland	272	1.51	393.48
Lapwai	341	1.77	650.42
Lewiston Independent[d]	340	2.53	521.98
Mackay Joint	182	1.19	374.00
Madison	321	1.65	248.64
Marsh Valley Joint	21	1.62	220.01
Marsing Joint	363	1.79	534.32
McCall-Donnelly Jointb	421	3.31	901.67
Meadows Valleyb	11	2.21	524.29
Melba Joint	136	1.77	376.31
Meridian Joint	2	1.98	376.41
Middleton[b]	134	1.99	354.05
Midvale	433	1.32	1,089.59
Minidoka County Joint	331	1.65	267.85
Moscow	281	2.33	368.71
Mountain Home[b]	193	2.10	588.86
Mullan	392	1.21	2,172.87
Murtaugh Joint	418	1.71	339.50
Nampa[b]	131	2.18	343.21
New Plymouth	372	2.04	492.89
Nezperce Joint	302	0.97	736.47
North Gem	149	1.51	363.39
Notus Joint	135	1.81	346.33

Table continued on next page.

School District	District Number	Reimbursed Cost Per Mile	Reimbursed Cost Per Pupil
Oneida County	351	1.19	305.84
Orofino Joint	171	1.96	641.50
Parma	137	1.30	437.70
Payette Joint	371	1.73	181.31
Pleasant Valley Elementary	364	1.65	1,175.00
Plummer/Worley Joint	44	1.43	420.56
Pocatello	25	2.14	281.47
Post Falls	273	2.65	264.01
Potlatch	285	1.62	368.59
Preston Joint	201	2.06	221.02
Richfield	316	1.41	720.82
Ririe Joint	252	1.98	264.28
Rockland School	382	1.36	347.85
Salmon	291	1.92	310.18
Shelley Joint	60	1.79	225.35
Shoshone Joint	312	1.12	465.20
Snake River	52	1.32	336.44
Soda Springs Joint	150	1.78	449.69
South Lemhi	292	1.16	931.44
St. Maries Joint	41	1.70	435.37
Sugar-Salem Joint	322	1.88	343.46
Swan Valley Elementary	92	1.41	533.31
Teton County	401	1.06	341.66
Twin Falls[b]	411	2.70	393.23
Valley[b]	262	1.34	267.00
Vallivue[b]	139	1.69	407.07
Wallace	393	1.65	321.20
Weiser	431	2.19	263.39
Wendell[b]	232	2.94	465.70
West Jefferson	253	0.97	361.85
West Side Joint	202	1.57	211.67
Whitepine Joint	286	1.33	534.17
Wilder[b]	133	2.05	313.09
Statewide average		1.90	383.47
Contract district average		2.26	461.93
Non-contract district average		1.78	358.06
Variance		0.48	103.87

[a] As more fully explained in the text, these measurements are not fully suitable as measures of district efficiency nor are they entirely suitable as comparative indicators. For these reasons, the data is listed alphabetically by district.

[b] Contracting district.

[c] District contracted for 37.1 percent of total miles in 1994-95. This district is included in the non-contracting district average.

[d] Tammany District #340 merged with Lewiston #343 in 1994.

[e] Referred to in Pupil Transportation Financial Summary as Gem County #221.

Responses to the Evaluation

J. D. WILLIAMS
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DIVISION STATEWIDE ACCOUNTING

May 3, 1996

Nancy VanMaren, Administrator
Office of Performance Evaluations
State Capitol, Lower Level, Suite 10
Boise, Idaho 83720-0055

Dear Nancy:

Thank you for the opportunity to review the draft of Contracted Versus District-Operated Public Transportation Programs report. This office offers no official comment on the report.

Yours very truly,

J. D. Williams
State Controller

JDW:pr

DEPARTMENT OF EDUCATION

P.O. BOX 83720
BOISE, IDAHO 83720-0027

DR. ANNE C. FOX
STATE SUPERINTENDENT
PUBLIC INSTRUCTION

May 6, 1996

Nancy Van Maren, Administrator
Office of Performance Evaluations
Idaho State Legislature
State Capitol, Lower Level, Suite 10
P.O. Box 83720
Boise, Idaho 83720-0055

Dear Ms. Van Maren:

This letter is in response to the Office of Performance Evaluations report, "Contracted Versus District-Operated Pupil Transportation Programs". The State Department of Education recognizes the extensive time and effort that were expended in preparing this report.

Over the years there has been extensive discussion of the differences between districts which own and operate their own pupil transportation system and those which contract for transportation services. Both sides have argued that various aspects of transportation funding are not fair to their particular transportation arrangement. The Department of Education appreciates that factors affecting contracting and non-contracting costs are identified in this report. However, many administrators and transportation professionals were hopeful that this document would answer two questions:

- Is transportation contracting more or less expensive that district operations?
- Is there a better method to fund pupil transportation?

We had hoped that the report would go further in making recommendations that would result in an efficiency-based funding method.

Several years ago the pupil transportation staff began publishing the "cost-per-mile" and the "cost-per pupil" in the *Pupil Transportation Financial Summary*. Department staff cautioned that these figures should not be used to compare one district's efficiency against another. The figures were merely supplied for use as a management tool. The OPE report refers to these numbers as "the department's" cost ratios, yet it was never our intent for these calculations to be used as a "cost ratio" or efficiency comparison. The OPE report identifies that these may not be appropriate measurements, yet these measurements are used throughout the report as the basis of comparison between contracting and non-contracting districts.

Decisions regarding transportation reimbursement have evolved over many years. Idaho Code sets forth the basis for pupil transportation reimbursement. State Board of Education administrative rules

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give more detailed guidance regarding reimbursable and non-reimbursable costs. However, the Department of Education's pupil transportation staff has historically been delegated the responsibility of making day-to-day decisions and interpretations of existing laws and rules. As identified in this report, it appears that one of the decisions created a conflict between administrative rule and actual practice. We regret that this conflict was not identified sooner, however we believe that the method used for many years to calculate reimbursement and the decisions to include certain items as reimbursable expenses are appropriate and were based on valid reasons. Specifically:

- Depreciation for school buses was not allocated between reimbursable and non-reimbursable miles because depreciation is based on *life expectancy (in years)*, not *miles traveled.* A bus traveling 5,000 miles in one year would receive the same depreciation allowance as a similar bus traveling 50,000 miles! Since depreciation reimbursement is only allowed for buses used a majority of the time on to-and-from-school transportation, the number of miles traveled on non-reimbursable trips should have no effect on their depreciation amount. In fact, if the depreciation amount were allocated on a percentage basis between reimbursable and non-reimbursable miles, remote school districts that have a greater percentage of non-reimbursable miles would be penalized in their transportation reimbursement because of their geographic location within the state.

- Recalculating the contractor's reimbursable contract costs through the same formula used for non-contracting districts is unnecessary, as reimbursable and non-reimbursable contract costs are easily divided through the contractor's billing to the districts.

- Liability insurance is not reimbursed to non-contracting districts through pupil transportation funding because taxpayers already pay that expense through tort levies.

- Collision insurance is not reimbursed to non-contracting districts because it is less expensive to pay the expenses for repairing the bus.

We want to emphasize that most pupil transportation decisions made by Department of Education staff are based on *controlling costs to the taxpayers of Idaho without compromising the safety of the pupils.* We realize that the methods for reimbursing contracting and non-contracting districts is not identical, however the advantages and disadvantages of each method tend to balance overall.

In the following paragraphs, we will respond to each recommendation contained in this report:

Recommendation #1

"We recommend the State Board of Education review department practice regarding the calculation of reimbursements for depreciation and contract costs to ensure consistency with administrative rule."

SDE Response

This recommendation is directed at the State Board of Education. We will abide by the Board's decisions. However, we have already made recommendations for revisions to State Board of Education administrative rules that would bring agreement between rule and practice.

Recommendation #2

"We recommend the Department of Education define a specific method for districts to use when they count pupil ridership and require districts to follow it when reporting ridership to the department."

SDE Response

This recommendation was already made in a previous report released by the Office of Performance Evaluations. The pupil transportation staff has already sent a memorandum to school districts defining the methods to be used for counting students.

Recommendation #3

"We recommend the State Board of Education and the State Superintendent of Public Instruction review current policies, priorities, and staffing decisions within the pupil transportation section."

SDE Response

We will review the priorities and work plan of pupil transportation staff internally and will cooperate with the State Board of Education's decisions regarding pupil transportation policies and priorities.

We appreciate these recommendations and will address areas in which it is possible to make improvements to the current system.

Sincerely,

Anne C. Fox

Anne C. Fox, Ph.D
State Superintendent of Public Instruction

LAKELAND SCHOOL DISTRICT NO. 272
1564 Washington Avenue
P. O. Box 39
Rathdrum, ID 83858-0039

May 3, 1996

Nancy VanMaren
Office of Performance Evaluations
State Capitol
P. O. Box 83720
Boise, ID 83720-0055

Dear Ms. VanMaren:

On behalf of school superintendents throughout Idaho I would like to express appreciation for the opportunity afforded to Dr. Ed Davis (representing contract busing districts) and myself to review and comment on the report prepared by your office dealing with apparent cost differences between contract busing and non-contract busing districts.

The report verifies what many of us in school districts have been saying for a long time. Transporting school children is a complex matter affected by a multitude of variables which can vary significantly from district to district according to market conditions, management decisions, geography and a host of other factors.

Your analysis approached the issue of apparent cost difference between contracting and non-contracting districts on the basis of the cost ratios commonly published by the State Department of Education (ie. cost per mile and cost per student). We agree that those ratios are likely flawed in that they treat costs incurred by contract and non-contract districts differently and do not account for the same set of variables in both cases. Additionally, it is very difficult to assess the compound effect of variables within individual school district circumstances. Therefore, to conclude from your analysis that one cannot determine that the actual costs of contracting for transportation services is more expensive than a district operated program comes as no great surprise.

The questions about transportation costs by legislators and others have been directed more to the issue of the state reimbursement levels rather than any true comparison of the total costs to a district for transporting children. Your conclusion that it is virtually impossible to attain a true and accurate comparison under the current system is in all likelihood correct.

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However, the apparent and perceived disparity of state reimbursement rates will continue so long as the current system of reporting remains in place. This is because of the practice of allowing two non-matching sets of variables to be used when calculating reimbursements for contracting and non-contracting districts. The natural consequence will be different reimbursement rates. A better match of the variables used for required reporting is necessary to approach parity in reimbursements.

Our concern as district administrators is how any change in the current reimbursement formula would impact not only transportation cost reimbursements but also the foundation unit factor. As you pointed out in the report, transportation reimbursement is an "off the top" expense from the public school appropriation. Any significant change in the method of funding transportation will have a ripple effect on the unit factor of the foundation program as equalized. Once again, the net impact could vary widely from district to district.

Finally, we would reiterate that the basic goal in transportation is not only to be efficient but to operate for the safety of students. Cost cutting should not be pursued in any way that would jeopardize the safety of children. To that end, control of a school district's transportation program should for the most part be left in the hands of each local Board of Trustees who has first hand knowledge of the variables and needs most affecting their school district.

We commend you and your staff for the depth of your analysis and a well prepared report. The information contained in the report should be very valuable to our legislators.

Thank you again for the opportunity to view the report and offer comment.

Sincerely,

Robert F. Jones

Robert F. Jones, President
Idaho School Superintendents Association

RFJ/dk

Completed Performance Evaluations

Publication Number	Report Title	Date Released
95–01	State Travel Management	August 1995
95–02	Medicaid Services for Children With Disabilities	November 1995
96–01	Safety Busing in Idaho School Districts	February 1996
96–02	Oversight of Pupil Transportation Contracts	February 1996
96–03	Use of Bus Routing Software in Idaho School Districts	May 1996
96–04	Contracted Versus District-Operated Pupil Transportation Programs: An Analysis of Cost and Program Differences	May 1996

Performance evaluations may be obtained free of charge from the
Office of Performance Evaluations, P.O. Box 83720, Boise, ID 83720-0055, 208/334-4860.

Desktop Publishing by Margaret Campbell

Summary of Cost Factors and Their Effect on the Difference Between Ratios for Contracting and Non-Contracting Districts

Reimbursable Cost/Reimbursable Mile					Reimbursable Cost/Average Daily Rider			
Contracting	Non-Contracting	Difference	Percent		Contracting	Non-Contracting	Difference	Percent
$2.26	**$1.78**	**$0.48**		**1994–95 Reported Ratio**	**$461.93**	**$358.06**	**$103.87**	
				Different Cost Components				
(0.01)		(0.01)	(2)	Diesel fuel excise tax	(1.93)		(1.93)	(2)
	0.01	(0.01)	(2)	State sales tax	0.05	1.67	(1.62)	(2)
	(0.08)	0.08	17	PERSI	(0.80)	(15.95)	15.15	15
($0.01)	($0.07)	$0.06	13%	Subtotal	($2.68)	($14.28)	$11.60	11%
				Reimbursement Practices				
	0.06	(0.06)	(13)	Capital outlay other than buses		11.93	(11.93)	(11)
	0.10	(0.10)	(21)	School bus depreciation		20.81	(20.81)	(20)
	0.02	(0.02)	(4)	Debt service (interest charges)		3.56	(3.56)	(3)
	0.05	(0.05)	(10)	Insurance		8.33	(8.33)	(8)
	0.02	(0.02)	(4)	Unemployment insurance	0.16	3.78	(3.62)	(3)
$0.00	$0.25	($0.25)	(52)%	Subtotal	$0.16	$48.41	($48.25)	(46)%
				District Characteristics				
	(0.09)	0.09	19	Bus driver wages		(17.11)	17.11	16
	(0.03)	0.03	6	Mechanic wages		(5.05)	5.05	5
	(0.01)	0.01	2	Employee benefits		(2.86)	2.86	3
(0.03)		(0.03)	(6)	Bus fleet fuel economy	(6.11)		(6.11)	(6)
(0.23)	(0.07)	(0.16)	(33)	Special needs transportation	(85.89)	(32.81)	(53.08)	(51)
($0.26)	($0.20)	($.06)	(13)%	Subtotal	($92.00)	($57.83)	($34.17)	(33)%
				District Measurement Ratios				
(0.06)	(0.03)	(0.03)	(6)	Reimbursable cost calculation	(12.42)	(5.75)	(6.67)	(6)
				Relating home-to-school ridership to total costs	(41.58)	(28.63)	(12.95)	(12)
($0.06)	($0.03)	($0.03)	(6)%	Subtotal	($54.00)	($34.38)	($19.62)	(19)%
		($0.28)	**(58)%**	**TOTAL EXPLAINED DIFFERENCE**			**($90.44)**	**(87)%**

Source: Office of Performance Evaluations analysis.

Appendices for Report 96-04

Contracted Versus District-Operated Pupil Transportation Programs An Analysis of Cost and Program Differences

Office of Performance Evaluations
Idaho State Legislature

May 1996

Appendices for Report 96-04

Contracted Versus District-Operated Public Transportation Programs

An Analysis of Cost and Program Differences

May 1996

Office of Performance Evaluations
P.O. Box 83720, Boise, Idaho 83720-0055

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Appendix A

Department of Education Reimbursable Cost Ratios for Idaho School Districts, 1994–1995

School District[a]	District Number	Reimbursable Cost Per Mile	Reimbursable Cost Per Pupil
Aberdeen	58	$1.46	$340.21
American Falls Joint	381	1.94	592.11
Arbon Elementary	383	1.01	732.79
Avery	394	1.36	1,286.43
Basin Elementary	72	1.24	638.45
Bear Lake County	33	1.29	448.51
Blackfoot[b]	55	2.14	325.09
Blaine County	61	1.62	526.45
Bliss Joint	234	1.56	479.47
Boise City, Independent Dist. of[b]	1	2.39	551.56
Bonner County	82	1.83	362.43
Bonneville Joint	93	2.04	297.96
Boundary County	101	1.69	451.63
Bruneau-Grand View Joint	365	1.22	387.64
Buhl Joint[b]	412	3.16	918.38
Butte County Joint	111	1.66	507.79
Caldwell[b]	132	2.96	516.74
Camas County	121	1.06	462.86
Cambridge Joint	432	1.56	498.89
Cascade	422	1.37	307.73
Cassia County Joint	151	1.62	343.51
Castleford Joint[b]	417	1.57	474.45
Challis Joint	181	1.47	469.97
Clark County Joint	161	1.07	1,462.43
Coeur d'Alene	271	2.35	473.06
Cottonwood Joint[c]	242	1.89	425.95
Council	13	2.18	729.18
Culdesac Joint	342	1.35	465.86
Dietrich	314	1.06	500.18
Emmett Joint[e]	221	2.04	271.86
Filer[b]	413	2.28	447.75
Firth	59	1.51	301.14
Fremont County Joint	215	1.55	291.86
Fruitland	373	2.05	267.63

Table continued on next page.

School District	District Number	Reimbursed Cost Per Mile	Reimbursed Cost Per Pupil
Garden Valley[b]	71	$1.65	$470.20
Genesee Joint	282	1.58	633.70
Glenns Ferry Joint	192	1.75	359.45
Gooding Joint[b]	231	1.91	337.35
Grace Joint	148	1.88	375.57
Grangeville Joint	241	1.48	504.68
Hagerman Joint[b]	233	1.88	375.49
Hansen	415	0.95	303.07
Highland Joint[b]	305	2.03	797.10
Homedale Joint	370	1.84	342.62
Horseshoe Bend	73	1.73	206.24
Idaho Falls	91	2.65	529.01
Jefferson County Joint	251	1.46	303.13
Jerome Joint[b]	261	2.23	454.37
Kamiah Joint	304	2.14	418.97
Kellogg Joint	391	2.06	542.22
Kendrick Joint	283	1.39	398.11
Kimberly	414	1.79	371.78
Kootenai Joint	274	1.63	465.17
Kuna Joint	3	1.61	329.38
Lakeland	272	1.51	393.48
Lapwai	341	1.77	650.42
Lewiston Independent[d]	340	2.53	521.98
Mackay Joint	182	1.19	374.00
Madison	321	1.65	248.64
Marsh Valley Joint	21	1.62	220.01
Marsing Joint	363	1.79	534.32
McCall-Donnelly Joint[b]	421	3.31	901.67
Meadows Valley[b]	11	2.21	524.29
Melba Joint	136	1.77	376.31
Meridian Joint	2	1.98	376.41
Middleton[b]	134	1.99	354.05
Midvale	433	1.32	1,089.59
Minidoka County Joint	331	1.65	267.85
Moscow	281	2.33	368.71
Mountain Home[b]	193	2.10	588.86
Mullan	392	1.21	2,172.87
Murtaugh Joint	418	1.71	339.50
Nampa[b]	131	2.18	343.21
New Plymouth	372	2.04	492.89
Nezperce Joint	302	0.97	736.47
North Gem	149	1.51	363.39
Notus Joint	135	1.81	346.33

Table continued on next page.

School District	District Number	Reimbursed Cost Per Mile	Reimbursed Cost Per Pupil
Oneida County	351	$1.19	$305.84
Orofino Joint	171	1.96	641.50
Parma	137	1.30	437.70
Payette Joint	371	1.73	181.31
Pleasant Valley Elementary	364	1.65	1,175.00
Plummer/Worley Joint	44	1.43	420.56
Pocatello	25	2.14	281.47
Post Falls	273	2.65	264.01
Potlatch	285	1.62	368.59
Preston Joint	201	2.06	221.02
Richfield	316	1.41	720.82
Ririe Joint	252	1.98	264.28
Rockland School	382	1.36	347.85
Salmon	291	1.92	310.18
Shelley Joint	60	1.79	225.35
Shoshone Joint	312	1.12	465.20
Snake River	52	1.32	336.44
Soda Springs Joint	150	1.78	449.69
South Lemhi	292	1.16	931.44
St. Maries Joint	41	1.70	435.37
Sugar-Salem Joint	322	1.88	343.46
Swan Valley Elementary	92	1.41	533.31
Teton County	401	1.06	341.66
Twin Falls[b]	411	2.70	393.23
Valley[b]	262	1.34	267.00
Vallivue[b]	139	1.69	407.07
Wallace	393	1.65	321.20
Weiser	431	2.19	263.39
Wendell[b]	232	2.94	465.70
West Jefferson	253	0.97	361.85
West Side Joint	202	1.57	211.67
Whitepine Joint	286	1.33	534.17
Wilder[b]	133	2.05	313.09
Statewide average		1.90	383.47
Contract district average		2.26	461.93
Non-contract district average		1.78	358.06
Variance		$0.48	$103.87

[a] As more fully explained in the text, these measurements are not fully suitable as measures of district efficiency nor are they entirely suitable as comparative indicators. For these reasons, the data is listed alphabetically by district.

[b] Contracting district.

[c] District contracted for 37.1 percent of total miles in 1994-95. This district is included in the non-contracting district average.

[d] Tammany District #340 merged with Lewiston #343 in 1994.

[e] Referred to in Pupil Transportation Financial Summary as Gem County #221.

Appendix B

Public School Transportation
Comparing Contracted and District-Owned Services and Safety Busing

OFFICE OF PERFORMANCE EVALUATIONS
September 1995

RETURN BY: October 13, 1995

Please respond to the attached questionnaire. The questions in **Part A** are designed to obtain information with which to compare district-owned operations to contractor services. If you contract for pupil transportation services, it will be necessary for your contractors to supply certain answers. **Part B** requests information regarding safety busing. Where required, or where you believe it necessary, please attach additional explanations or detail. Your comments about these issues are also welcome. Please retain a copy of the completed survey for your records. ***Contact Greg Arnim at 208-334-2803 if you have any questions about how to complete this survey.***

Survey completed by: _____
(Name) *(Department)* *(Phone)*

Approved by: _____
(District Superintendent)

School District: _____

Control Number : _____
(Office use only)

Please return completed survey to:
Greg Arnim, Office of Performance Evaluations,
State Capitol, P. O. Box 83720, Boise, ID 83720-0055.
Completed surveys may also be returned by FAX to: 208-334-4866

Part A
District-Owned Operations to Contracted Services

General District Information

1. Has your district undergone any district boundary changes or been merged or consolidated with another district since June 30, 1992? (Do not include changes in attendance zones within a district.)

YES NO

If yes, please attach appropriate information describing the nature of the change and the dates involved.

2. Use the following definitions to classify your district's student enrollment distribution and bus ridership distribution during the 1994–95 school year.

Rural: Low student density, large distances between student pick-up points, large average distance from home-to-school, narrow paved or unpaved roads, few services (if any).

Urban: High student density, short distances between pick-up points, generally well-improved streets, heavier daily traffic, shortest average home-to-school distances. High access to services.

	Enrollment (Total District)	Ridership (Avg. Daily)*
Rural Urban		
TOTAL		

* Ridership total should agree with total reported on Schedule A.

3. In providing pupil transportation services within your district, have you at any point (in the last ten years):

			DATE
a. Changed from district-owned to contracted services?	YES	NO	_____
b. Changed from contracted to district-owned services?	YES	NO	_____
c. Made a study to change from one to the other?	YES	NO	_____

If you have answered YES to any of the above, please attach a copy of the report and/or analysis made in connection with that action.

Transportation (Bus) Fleet Information

4. The tables below have been designed to gather information on the fleet of buses you operate to provide student transportation. Districts operate fleets to provide student transportation for home-to-school, field trips, activities, etc. Please complete the chart below by showing the number of buses you (or your contractor) operated in the years and categories provided. Even though buses may be rotated through these categories for purposes of fleet management, those buses in excess of the number minimally required for regular or special education routes (rows 1 and 2) must be listed under one or more of the other three categories shown (rows 3–5). List the buses under the headings "District" if they are owned by the district and under "Contract" if they are provided by a contractor.

4a. Number of Buses in Operation

	1992–1993		1993–1994		1994–1995		1995–1996	
	District	Contract	District	Contract	District	Contract	District	Contract
1. Regular home-to-school routes								
2. Special Education routes (home-to-school) not included in line (1) above.								
3. Field trips 4. Activities								
5. "Spares" for backup, emergency, maintenance, fleet rotation, etc.								
TOTAL NUMBER OF BUSES								

4b. Age, Capacity, Fuel Type and Mileage

Average age of buses (in years from date of manufacture)								
Total (rated) seating capacity								
Of the total number of buses reported above, how many are diesel-powered?								
Of the total annual miles reported each year to the SDE, how many miles were in diesel buses?								

4c. Fleet Economy and Fuel Prices

	1992–1993	1993–1994	1994–1995
Average price per gallon paid for gasoline Average price per gallon paid for diesel Average miles per gallon—Gas bus			
Average miles per gallon—Diesel bus			

4d. Do the prices you pay for motor fuels include (circle your answer):

i. State taxes on diesel fuel? YES NO

ii. Federal taxes on diesel fuel? YES NO

iii. Federal taxes on gasoline? YES NO

If any of these answers are YES, do you regularly file claims for refunds of taxes paid?

YES NO

School Bus Routing and Scheduling Information

5. a. Has your district (or contractor) ever considered the costs and benefits of purchasing a computer software routing system?

YES NO

b. If the answer to (a) was YES, did you purchase (or lease) one?

YES NO

Please attach a copy of your analysis with this survey.

c. If the answer to (b) was YES, please specify the name of the routing software purchased (e.g. Edulog, Ecotran, Creighton-Manning, contractor developed, etc.).

_____

(Software Company)

d. If the answer to (b) was NO, why didn't you? (Please rank your reasons from those below. Use 1 for the *most* important reason, and 6 for the *least* important reason.)

i. Projected reductions in operating costs not sufficient to offset costs of software. _____
ii. Insufficient flexibility in local district routing. _____
iii. Lack of local district or state funds. _____
iv. Insufficient personnel to maintain. _____

6. How do you calculate the AVERAGE DAILY home-to-school ridership in your district? Please circle your answer from the four choices below:

   a. Riders counted daily. Average calculated for year.

   b. Riders counted weekly. Weekly counts are averaged for the year with the result representing daily average ridership.

   c. Riders counted monthly. Monthly counts are averaged for the year with the result representing daily average ridership.

   d. Other method. (*Please attach calculations with detailed explanation.)*

7. Please complete the attached **Schedule A** for all home to school routes in your district. In the first column enter an identifying bus number. Note that a bus may make more than one home-to-school trip in a day. For example, a bus may pick up secondary students early in the morning and then return to its point of origin (or some other point) to pick up elementary students. For purposes of this schedule, you would record the bus number twice and report **two** different routes. Make additional copies of this schedule as necessary to include all bus routes. ***Please remember—count each student only once per day regardless of how many times that student rode during the day.***

Facility and Capital Outlay Information

8. Describe the facilities used by your district (or your contractor) for vehicle storage, office/program operations, dispatching, routing and scheduling, maintenance, and fuel storage if applicable. Answers may be brief, but should be sufficiently descriptive. (For example, four bay bus garage with attached offices and storage area; fenced lot for bus parking; underground/overground bulk fuel storage tanks, etc.)

9. **For contracting districts only.** Do you provide any district-owned facilities or assets for use by the contractor?

			Est. current value if YES
a. Land (for bus storage, etc.)	YES	NO	$_____
Buildings (bus barns, shops, office space etc.)	YES	NO	$_____
Furniture, fixtures, and equipment	YES	NO	$_____

b. How much does the contractor pay you for the use of these assets? $ _____ per year.

10. **For non-contracting districts only.** Please estimate the current market value of the following district-owned assets that are dedicated to your pupil transportation operation. Please consult with your Chief Business Official or other appropriate district official as necessary for this question. If you need to estimate, please use insured valuation. Note: include only those assets which would not exist or would not have been acquired in the absence of a transportation program.

Land	$ _____
Buildings	$ _____
Furniture and fixtures	$ _____
Equipment	$ _____
Yellow school buses	$ _____
Transportation vehicles (other than yellow school buses)*	$ _____

* Do not include vehicles assigned to maintenance, grounds, district administration or motor pool.

What was your source for this data (e.g. financial statements, insurance valuation report, district estimate, etc.)

11. Does your district **LEASE or RENT** any of the following facilities and/or assets for the exclusive and necessary use (i.e., these facilities and/or assets would not have been leased/rented by the district without this program) of the transportation program? Do not include shared-use facilities (e.g., combined maintenance/transportation service shop) which would exist independent of the transportation program.

	Annual Lease/Rental Cost
Land	$ _____
Buildings	$ _____
Furniture and fixtures	$ _____
Equipment	$ _____
Yellow School Buses	$ _____
Transportation vehicles (other than yellow school buses)*	$ _____

* Do not include vehicles assigned to maintenance, grounds, district administration or motor pool.

Transportation Personnel Information

12. Please provide the salary information requested in the following tables. Use the amount paid **PER HOUR**. (Do not include statutory costs such as FICA, Medicare, Unemployment Insurance, etc.) Contracting districts should obtain this information from their contractors. *Please attach a copy of the salary schedules used.*

    Minimum and maximum hourly wages should come from your (or your contractor's) established salary schedules. The average salary must be an average of wages **actually paid**. (For example, divide total bus driver wages paid by the total bus driver hours worked during the year or for a payroll period which would be representative of the year). Do not use the salary schedule midpoint.

    Do not distinguish between different grades for these personnel. For example, if your district has Mechanic I, Mechanic II and Mechanic III classifications or other variations based on skill level and experience, use the minimum Mechanic I wage in line (f) and the Maximum Mechanic III wage on line (h). The average must be of wages **actually paid**. Do not use the salary schedule midpoint.

    Do not include any other transportation employees in this chart whose duties are not primarily and/or exclusively within the "bus driver" or "mechanic" classifications.

12. (Continued)

Row	Description	1992–1993	1993–1994	1994–1995	1995–1996
a.	Minimum bus driver hourly wage	$___.___/hr.	$___.___/hr.	$___.___/hr.	$___.___/hr.
b.	Average bus driver hourly wage	$___.___/hr.	$___.___/hr.	$___.___/hr.	$___.___/hr.
c.	Maximum bus driver hourly wage	$___.___/hr.	$___.___/hr.	$___.___/hr.	$___.___/hr.
d.	Is more than one skill level/ classification include above? (Y/N)				
e.	Number of regular bus drivers for home-to-school transportation. (Do not include substitutes. Do not report as F.T.E.'s)				
f.	Minimum mechanic hourly wage	$___.___/hr.	$___.___/hr.	$___.___/hr.	$___.___/hr.
g.	Average mechanic hourly wage	$___.___/hr.	$___.___/hr.	$___.___/hr.	$___.___/hr.
h.	Maximum mechanic hourly wage	$___.___/hr.	$___.___/hr.	$___.___/hr.	$___.___/hr.
i.	Is more than one skill level/ classification include above? (Y/N)				
j.	Number of mechanics whose primary responsibilities are for school bus maintenance and repairs. (Please report as F.T.E.'s.*)				

* Calculate Full-Time Equivalents based on 40 hours/week.

13. Please complete the following table to provide information on employee benefit costs.

Row	Description	1992–1993	1993–1994	1994–1995	1995–1996
a.	How many employees (total of all classifications) are in the transportation department (F.T.E.'s)?				
b.	How many transportation department employees (bus drivers, mechanics, etc.) receive benefits such as health, life, dental insurance, etc. and/or retirement (pension, 401K, etc.)?				
c.	What is the average cost per year for this benefit package per employee counted in (a) above?				

14. Are the bus drivers and/or mechanics in your district (either employed by you or your transportation contractor) covered by a collective bargaining (union) agreement?

			Bargaining Unit Name
Bus drivers	YES	NO	_____
Mechanics	YES	NO	_____

Other District/Transportation Information

15. Each year, the State Department of Education (SDE) compiles the *Pupil Transportation Financial Summary*. In this report, an "average" reimbursable cost per student and "average" reimbursable cost per mile is reported for each district and overall. Partly because school districts do not have exactly the same operating conditions, districts fall above or below state averages. Please describe below the factors which may make your program operate above or below the state average. Please consider such items as:

a. Fuel costs
b. Repair costs
c. Access to repair facilities
d. Local topography (elevations, grades, etc.)
e. Student rider density
f. General road conditions in district (e.g. gravel roads)
g. Personnel costs
h. Special education; preschool

16. Does your district use cooperative purchasing arrangements or other forms of joint activities to reduce the cost of purchasing buses, fuel, tires, repair parts/exchange components?

YES NO

If YES, please describe the nature of this arrangement on a separate page. Include the names of districts, public agencies and/or private companies with which you cooperate on these types of purchases.

17. Does the school district purchase insurance **indemnifying** the district, its officers and employees against personal injury claims arising out of the operation of its school transportation system? Note: This is for coverage beyond the liability insurance required under Idaho Code § 33-1507.

YES NO

18. What do you estimate is the percent of your total (reimbursable and non-reimbursable) costs of transportation that are attributable to special needs students (those requiring specialized transportation services under I.E.P.'s) or for pre-school (3–4 yr. old) students with disabilities?

_____ %

			1992–1993				1993–1994				1994–1995			
Line	Bus Number	Route Number	Total daily route length (miles)[3]	Number of non-safety bused students on route[1]	Number of safety bused students on route[2]	Bus added for safety busing? (Y/N)[4]	Total daily route length (miles)[3]	Number of non-safety bused students on route[1]	Number of safety bused students on route[2]	Bus added for safety busing? (Y/N)[4]	Total daily route length (miles)[3]	Number of non-safety bused students on route[1]	Number of safety bused students on route[2]	Bus added for safety busing? (Y/N)[4]
1														
2														
3														
4														
5														
6														
7														
8														
9														
10														
11														
12														
13														
14														
15														
16														
17														
18														
19														
20														
TOTALS														

Please make additional copies of this schedule as required to list all routes.

[1] Average daily ridership of those students who lived more than 1.5 miles from school. Count each student only once, regardless of how many times they rode the bus during the day.
[2] Average daily ridership of students living fewer than 1.5 miles from school. Count each student only once, regardless of how many times they rode the bus during the day.
[3] Total miles driven on a daily basis for home-to-school transportation for this route.
[4] Was this route added solely to accommodate the busing of students who live within a 1.5 mile radius of the school? Answer Yes or No.

Schedule A

Appendix C

Statutes and Administrative Rules Governing Pupil Transportation

Title 33 Chapter 10

33-1002 Describes the funding formula for the Educational Support Program and specifies that pupil transportation programs are funded prior to the calculation of support units (off-the-top funding).

33-1006 Requires the State Board of Education to determine which pupil transportation costs are reimbursable.

Title 33 Chapter 15

33-1501 Authorizes pupil transportation. Sets limits for required versus optional transportation. Authorizes districts to enter into contracts and/or make payments necessary to provide pupil transportation.

33-1502 Authorizes districts to establish non-transportation zones for inaccessible areas.

33-1503 Describes circumstances under which districts may make payments to individuals who provide transportation in-lieu of the district.

33-1504 Defines "school bus" and sets vehicle standards to meet current national and state standards.

33-1505 Sets sellers warranty that vehicles sold as school buses meet state construction standards in effect at time of sale.

33-1506 Establishes requirements for school bus inspections.

33-1507 Requires districts to maintain minimum levels of liability insurance relating to transportation.

33-1508 Requires school buses to be operated in accordance with law and with the rules and regulations of the Department of Law Enforcement.

33-1509 Establishes minimum requirements for school bus drivers.

33-1510 Requires contracts for pupil transportation to be in a form approved by the state superintendent of public instruction and requires that contracts be bid.

33-1511 Enumerates the powers and duties of the State Board of Education relating to pupil transportation.

33-1512 Authorizes local school districts to lease their buses under specified circumstances.

Administrative Rules

08.02.07.100	Adopts national bus standards with Idaho modifications.
08.02.07.150	Sets maintenance standards and inspection requirements.
08.02.07.200	Establishes rules for safe operation of school buses.
08.02.07.250	Sets requirements for school bus drivers.
08.02.07.300	Defines student duties and responsibilities while riding school buses.
08.02.07.350	District responsibilities, regarding pupil transportation programs.
08.02.07.400	Partially defines reimbursable costs and reimbursable programs. Sets district records retention requirements.
08.02.07.450	Specific capital outlay reimbursement and vehicle depreciation methods.
08.02.07.500	Allows reimbursement for computerized routing and scheduling software.

Source: IDAHO CODE and Idaho Administrative Code, October 5, 1994, Vol. 1, IDAPA 08.02.07.

Appendix D

Reimbursement Claim Form and Instructions

IDAHO DEPARTMENT OF EDUCATION PUPIL TRANSPORTATION

Claim for Reimbursement for Fiscal Year Year ended June 30, 1995

School District _____ **No.** _____

All Districts Complete **SCHEDULE C**

Line No.	SCHOOL BUS MILEAGE		Column (1) REIMBURSABLE	Column (2) NONREIMBURSABLE	Column (3) TOTAL	SDE USE ONLY
33	To/From School:	District:				
		Contractor:				
34	Field Trips:	District:				
		Contractor:				
35	Extracurricular/Activities	District:				
		Contractor:				
36	Shuttle Trips:	District:				
		Contractor:				
37	Summer Programs- Sp.Ed.Migrant Ed.	District:				
		Contractor:				
38	Other:	District:				
		Contractor:				
39	**Total Mileage:**	District:				
	Total Mileage:	Contractor:				

CONTRACT BUSING OPERATIONS

		COSTS	
40	Reimbursable Contract		
41	Nonreimbursable Contract		
42	**TOTAL CONTRACT**		

REIMBURSEMENT CALCULATION

		Schedule A or B	
43	enter Total Costs (line 32, Schedule A or B)		
44	enter Total Mileage (line 39, column 3)		
45	equals Reimb. Factor (line 43 ÷ 44 to four places)		
46	enter Reimbursable Miles (line 39, column 1)		
47	equals Reimbursable Costs (line 46 x 45)		
48	enter Reimbursements Received		
49	adjustments for Non-eligible Riders & Non-students		
50	equals Adjusted Costs (lines- 47 minus 48 & 49)		
51	Admin. Allowance (line 50 x 7.5%) (Schedule B only)		
52	enter Payment for In-Lieu/Special Contracts		
53	enter Contract Busing Service (line 40)		
54	enter Depreciation Allowance		
55	**TOTAL REIMBURSABLE COSTS (add lines 50 thru 54)**		
56	**REIMBURSEMENT CLAIMED (line 55 x 85%)**		

Total number of students (including midday kindergarten or preschool) who ride buses to OR from school _____.

(Count each student ONLY ONE TIME whether they ride one-way or both ways.)

The above statements and financial information are true and correct to the best of my knowledge and belief.

_____ _____

Date Authorized Representative

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Pink - District copy

IDAHO DEPARTMENT OF EDUCATION PUPIL TRANSPORTATION

Claim for Reimbursement for Fiscal Year Year ended June 30, 1995

School District _____ No. _____

Schedule A - Actual Cost Method

Line No.	Object Code	Total Costs	SDE USE ONLY
100	**SALARIES**		
1	Bus Drivers		
2	Bus Assistants		
3	Mechanics		
4	Transportation Supervisor		
5	Dispatcher/Secretary		
6	Other Program Staff (identify)		
200	**BENEFITS**		
7	Life Insurance		
8	Health Insurance		
9	Physical Examinations and Drug Testing		
10	Workers' Compensation		
11	FICA		
12	PERSI		
13	Other (identify)		
300	**PURCHASED SERVICES**		
14	Leasing of School Buses		
15	Equipment Rental		
16	Contract Repairs and Maintenance		
17	School Bus Driver Training		
18	Utilities in Bus Garage		
19	Bus Routing Computer Software		
20	Travel Expenses (see instructions)		
21	Other (identify)		
400	**SUPPLIES**		
22	Fuel		
23	Oils and Lubricants		
24	Shop Materials and Parts		
25	Office		
26	Cleaning		
27	Coveralls, Rags, Laundry		
28	Hand Tools		
500	**CAPITAL OUTLAY**		
29	Radios		
600	**DEBT SERVICE**		
30	Interest		
700	**INSURANCE**		
31	Property (Garage only)		
32	**TOTAL COSTS**		

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IDAHO DEPARTMENT OF EDUCATION PUPIL TRANSPORTATION

Claim for Reimbursement for Fiscal Year Year ended June 30, 1995

School District _____ No. _____

Schedule B - 7.5% Method

Line No.	Object Code	Total Costs	SDE Use Only
	100 SALARIES		
1	Bus Drivers		
2	Bus Assistants		
3	Mechanics		
5	Dispatcher/Secretary		
	300 PURCHASED SERVICES		
14	Leasing of School Buses		
15	Equipment Rental		
16	Contract Repairs and Maintenance		
17	School Bus Driver Training		
18	Utilities in Bus Garage		
19	Bus Routing Computer Software		
21	Other (identify)		
	400 SUPPLIES		
22	Fuel		
23	Oils and Lubricants		
24	Shop Materials and Parts		
26	Cleaning		
27	Coveralls, Rags, Laundry		
28	Hand Tools		
32	**TOTAL COSTS**		

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Pink - District Copy

INSTRUCTIONS FOR COMPLETING IDAHO PUPIL TRANSPORTATION REIMBURSEMENT CLAIM FORM 1994-95 SCHOOL YEAR

This transportation report is designed to accommodate two alternative methods of reporting costs of the school transportation system for reimbursement purposes. Districts who wish to report total actual costs including administrative, will complete Schedule A. Those who wish to report administrative costs under the 7.5% allowance method will complete Schedule B. ALL DISTRICTS (CONTRACTED and DISTRICT OWNED) MUST COMPLETE SCHEDULE C, INCLUDING MILEAGE INFORMATION ON LINES 33 THRU 39.

DO NOT MAKE ANY ENTRIES IN THE S.D.E. SHADED COLUMN

EXPENDITURE REPORT (Schedule A or B)

Line 1. Salaries paid to all bus drivers who drive school buses for both reimbursable and non-reimbursable purposes. All salaries paid to bus drivers while attending school bus driver training sessions should be included.

Line 2. All salaries paid to Bus Assistants (when bus aides are necessary on special education routes).

Line 3. Salaries paid to mechanics for working on school buses only. Time spent working on other school district equipment does not qualify. Proper records should be maintained to support service work done on school buses.

Line 4. Salary paid the designated transportation supervisor for supervisory duties directly related to pupil transportation. Superintendents, business managers, and principals salaries do not qualify for reimbursement as transportation supervisors.

Line 5. Salary paid to person who works solely in the transportation facility as dispatcher, transportation secretary, transportation record keeper, etc. (may be either full-time or part-time employees).

Line 6. Salary paid to persons responsible for the cleaning, washing, and moving of school buses. **These costs must be clearly identified as transportation related.**

Line 7. Premiums paid for life insurance to cover the persons listed on Lines 1, 2, 3, 4, 5, and 6.

Line 8. Premiums paid for health insurance to cover the persons listed on Lines 1, 2, 3, 4, 5 and 6.

Line 9. Costs for the required physical examinations and drug/alcohol testing for school bus drivers.

Line 10. Premiums paid for Workers' Compensation. (Amount claimed should reflect that credits listed on workers' compensation statement are appropriately allocated).

Line 11. Employer's cost of FICA for the persons listed on Lines 1, 2, 3, 4, 5, and 6.

Line 12. Employer's PERSI contribution for the persons listed on Lines 1, 2, 3, 4, 5, and 6.

Line 13. Any other costs that the district incurs for benefits for the persons listed on Lines 1, 2, 3, 4, 5, and 6. **These costs must be clearly identified with the transportation program. Do not include F.I.C.A.**

NOTE: ***Costs of items on Lines 7, 8 and 10 will not be reimbursed for those drivers who are employed full time in another capacity by the district; i.e., teachers, janitors, etc.***

Line 14. Costs of leasing school buses on a short-term or emergency basis.. This item does not include lease purchase agreements.

Line 15. The costs of renting equipment for use in pupil transportation.

Line 16. The costs of contracting repairs and maintenance when the work cannot be performed by district personnel.

Line 17. Driver training materials and consultant costs paid to person or persons who provide school bus driver training. VCR, TV, and other audio-visual equipment is not reimbursable, nor are training videos except the School Bus Driver Development Series.

Line 18. All utility costs in the transportation facility that can be specifically identified. (Electricity, garbage, telephone, water, etc.) Telephone equipment is not reimbursable.

Line 19. All costs incurred for the purchase/maintenance of software to assist in developing school bus routing. **Must be pre-approved.**

Line 20. Costs incurred by the persons on Lines 1, 2, 3, 4, and 5 for transportation related travel. **Do not include costs for delivery of new buses, bus drivers per diem expenses for field trips, extracurricular trips, etc.**

Line 21. Any other purchased services. **These costs must be clearly identified as transportation related.** Driver record checks are no longer reimbursable as they can be obtained cost-free.

Line 22. All fuel (gasoline and/or diesel) costs for school buses for both reimbursable and non-reimbursable trips. Includes credit card purchases when those miles are included on Schedule C. Do not include tax on fuel that will be later reimbursed to districts.

Line 23. All lubrication and oil costs for school buses for both reimbursable and non-reimbursable trips. Includes credit card purchases when those miles are included on Schedule C.

Line 24. All costs for parts (tires, batteries, etc.) which are used on school buses only.

Line 25. All costs for office supplies used only in the transportation facility. Office equipment is not reimbursable.

Line 26. All costs for cleaning supplies used only in the transportation facility.

Line 27. All costs for mechanics' uniforms, rags and laundry which are used only in the transportation facility.

Line 28. Costs for expendable hand tools used only in the transportation facility. **(Expendable, as used here, means a tool that if lost or broken would be replaced instead of repaired because it would be more cost effective.)**

Line 29. Costs for two-way radios, other than CB radios, purchased and installed in school buses only. Base stations and Repeaters are not to be included. Radios are the only capital outlay expenditure reimbursable other than the purchase of school buses.

Line 30. Interest costs incurred when purchasing school buses on time through a lending agency, including lease-purchase agreements **(Only for those agreements prior to April 1, 1991).**

Line 31. All premiums paid for property insurance on the transportation facility only.

Line 32. Total costs of Lines 1 through 29.

MILEAGE REPORT - ALL MILEAGE ON DISTRICT-OWNED, CONTRACTED, OR COMBINATION THEREOF SHALL BE INCLUDED ON LINES 31-37. (Schedule C)

Line 33. Miles traveled by school buses while transporting students to and from school, including year-around schools. Miles reported on this table should include both district and contractor mileage.

Line 34. Miles traveled by school buses on reimbursable and non-reimbursable field trips following State Board of Education rule which reads: "approved school activities shall be those which are truly a part of the total education program and occur during the regular school year and do not extend more than 100 miles beyond the boundaries of the state of Idaho." (See Pupil Transportation Manual for examples, non-reimbursable field trips are recreational trips, trips used as performance rewards, picnics, etc.)

Line 35. Miles traveled by school buses on extracurricular trips for those activities under the jurisdiction and sponsorship of the Idaho High School Activities Association and any other school activity that is scheduled and held for competition purposes (See Pupil Transportation Manual for examples).

Line 36. Shuttle trips between schools for education purposes are reimbursable miles, but shuttle trips between schools for extracurricular activities are not. Activity buses that take students and athletes home after regular school hours are also non-reimbursable miles.

Line 37. Bus miles traveled for to and from school transportation of extended school year Special Education and Migrant Education programs are reimbursable. All other summer programs are non-reimbursable.

Line 38. All other school bus miles not included in Lines 30 through 34 should be included here. Miles accumulated in moving buses to facilities for repair and maintenance, and test driving miles are reimbursable. Leasing district owned buses to private groups during the regular school year must be listed as non-reimbursable miles. Miles traveled by contractor owned buses not associated with pupil transportation should not be reported.

Line 39. Total reimbursable and non-reimbursable miles.

COSTS - CONTRACT OPERATION (Schedule C)

Line 40. Reimbursable costs for contractor owned school buses. (See Lines 31 & 32 for explanations or the School Transportation Manual for examples.)

Line 41. Non-reimbursable costs for contractor owned school buses. (See Line 33 for explanations or the School Transportation Manual for examples.)

Line 42. Total costs for contractor owned school buses.

REIMBURSEMENT CALCULATION (Schedule C)

Line 43. Enter the total transportation cost figure from Line 32, Schedule A or B.

Line 44. Enter the total miles traveled by both contractor and/or district-owned school buses from Line 39, Column 3.

Line 45. Divide Line 43 by Line 44 and enter results (to 4 decimal places).

Line 46. Enter total reimbursable miles from Line 39, Column 1.

Line 47. Multiply Line 46 by Line 45 and enter the results.

Line 48. Enter any money received by the district for transportation service provided (Examples: non-public students, leasing school buses, out of district pupil transportation, etc.).

Line 49. Enter adjustment for district absorbed costs of transporting non-students or non-eligible students (Examples: babies transported with parents to alternative schools, parents riding to schools to serve as classroom aides).

Line 50. Subtract Line 48 and Line 49 from Line 47 and enter the results.

Line 51. If using Schedule B, multiply Line 50 by 7.5% to calculate an administrative allowance for reimbursement and enter results.

Line 52. If district pays any in-lieu and/or special contract costs, enter the total figure. (Special contracts are payments made to an out-of-state school district for transporting Idaho students)

Line 53. Enter reimbursable contract costs from Line 40.

Line 54. Enter school bus depreciation amount from depreciation schedule furnished by the Pupil Transportation staff, State Department of Education.

Line 55. Add Lines 50 through 54 and enter result.

Line 56. Multiply Line 55 by 85%.

Please note requirement at bottom of Schedule C for total number of students (including midday kindergarten or preschool) who ride buses to OR from school (count each student ONLY ONE TIME whether they ride one-way or both ways.)

Appendices E-1 through E-15

Estimated Effects on Reimbursable Cost Ratios

General Methods

A. Unless otherwise noted, all analysis relied on data we obtained from *Pupil Transportation Financial Summary* (Boise), School Years 1989–90 through 1994–95; *Financial Summary of Idaho School Districts* (1994–95); Office of Performance Evaluations survey of Idaho School Districts (September, 1995); Idaho Code; administrative rules; and *Pupil Transportation Manual* (Department of Education). Effects are calculated for the 1994–95 school year.

B. Values for each district were computed separately using the methods described in each appendix. The individual district computations were combined to make up the group totals for contracting and non-contracting districts. Each cost component may affect an individual district by more or less than the average shown for the group as a whole. As a result, there are no values shown for "cost per mile" or "reimbursable miles" in the reimbursable cost calculations or the individual cost components analyzed in these appendices.

C. We analyzed totals for contracting and non-contracting districts as groups. Where noted, values and percentages for totals were weighted by individual district computations.

D. Figures presented were rounded to a maximum of two decimal places unless otherwise noted. We used actual values with no rounding wherever possible in our calculations. Readers attempting to replicate our calculations using the values shown may obtain slightly different results due to our rounding conventions.

E. Dollar amounts below $0.005 were rounded down to $0.00.

F. Throughout the appendices, we refer to the ratio of adjusted reimbursable cost per reimbursable mile as "cost per mile." We refer to the ratio of adjusted reimbursable cost per average daily rider as "cost per rider." This convention was adopted to be concise and improve the readability of our methods. Adjusted reimbursable cost equals total reimbursable costs minus special contracts and payments in-lieu of transportation.

G. Unless otherwise noted, analysis includes 22 contract districts (n=22) and 88 non-contract districts (n=88).

Appendix E-1

Diesel Fuel Excise Tax

Idaho imposes an excise tax of $0.21 per gallon on diesel fuel. School districts and other political subdivisions are exempt from paying that tax on fuel used in school buses. However, pupil transportation contractors must pay the tax. Higher diesel fuel costs can result in higher pupil transportation contract costs for contracting districts.

Assumptions and Calculation Notes

- We assumed a district's reported average miles per gallon is representative of the district's entire fleet.
- In districts that did not provide data for the analysis, we used the non-weighted state average miles per gallon.
- We did not adjust excise tax totals for districts that were eligible for tax exemptions but may not have claimed them. (See Chapter 2, page 16.)

Conclusion

The payment of state diesel fuel excise tax by contractors accounted for an estimated $0.01 per mile or $1.93 per rider of the difference between reimbursable cost ratios. On a per mile basis, this represented 2.1 percent of the $0.48 per mile difference between contracting and non-contracting districts. On a per rider basis, this represented 1.9 percent of the $103.87 per rider difference. Fuel excise taxes are directly proportional to fuel consumed and district mileage, but are not directly related to average daily ridership. As a result, the effect of the fuel tax exemption on the two cost ratios differs.

Table E-1: Estimated Effect of Diesel Fuel Excise Tax on Reimbursable Cost Ratios, 1994–1995

		Contract District Example	Contract District Totals
Begin with:	Total miles	300,809	6,118,148
Subtract:	Total diesel miles	195,525	2,364,391
Equals:	Total gas miles	105,284	3,753,757
Begin with:	Diesel miles	195,525	2,364,391
Divide by:	Diesel mpg	7.60	8.48
Equals:	Diesel gallons purchased	25,727	278,735
Begin with:	Diesel gallons purchased	25,727	278,735
Multiply by:	Excise tax rate[a]	$0.21	$0.21
Equals:	Diesel excise taxes	$5,403	$58,535
Begin with:	Excise tax costs	$5,403	$58,535
Divide by:	Total miles	300,809	
Equals:	Excise tax cost/mile	$0.02	
Multiply by:	Reimbursable miles	300,809	
Equals:	Reimbursable costs[b]	$5,403	$53,536
Begin with:	Reimbursable costs	$5,403	$53,536
Divide by:	Reimbursable miles	300,809	2,670,430
Equals:	Reimbursable cost/mile	$0.02	$0.01
Begin with:	Reimbursable costs	$5,403	$53,536
Divide by:	Average daily ridership	1,721	27,749
Equals:	Reimbursable cost/rider	$3.14	$1.93

[a] Idaho Code § 63-2416(1).
[b] Refer to Note B in General Methods.

Appendix E-2

State Sales Tax

Idaho imposes a state sales tax of five percent on all direct sales of tangible personal property. School districts and other political subdivisions are exempt from paying the tax. However, pupil transportation contractors must pay the tax on items such as parts, equipment, and office supplies. This results in higher pupil transportation costs for contracting districts.

Assumptions and Calculation Notes

- We did not obtain data on actual sales tax payments made by contractors. We assumed district cost ratios were underestimated in non-contracting districts by the amount of sales tax saved as a result of their exempt status.
- We assumed that 50 percent of non-contracted district costs for contracted repairs and maintenance would be taxable. We assumed that 50 percent of contracted repairs and maintenance costs would go to parts and materials and the remaining 50 percent to labor.
- We assumed contractor prices to districts included sales taxes on purchases incurred by the contractor in providing transportation service to the district.
- District-reported costs of salaries, benefits, fuel, debt service (interest), insurance, administrative allowances, in-lieu payments, contract busing service, and depreciation are not taxable. We excluded school bus purchases from this analysis as we did not collect the purchase price for each bus in a district. Therefore, the total effect of the sales tax exemption is understated.
- We did not adjust for the effect of any sales tax imposed on costs incurred by a district but not included in the district's claim for reimbursement.

- We did not adjust for payments received by districts and any adjustments made to their claims for the costs of ineligible riders.
- We did not adjust for the payment of sales tax to other states or local jurisdictions.

Conclusion

Exemption from state sales tax in non-contracting districts accounted for an estimated $0.01 per mile or $1.62 per rider of the difference between the reimbursable cost ratios. On a cost per mile basis, this represented 2.1 percent of the $0.48 per mile difference between contracting and non-contracting districts. On a per rider basis, this represented 1.6 percent of the $103.87 per rider difference.

Table E-2: Estimated Effect of Sales Tax on Reimbursable Cost Ratios, 1994–1995

		Non-Contract District Totals	Contract District Totals
Begin with:	District level operating costs[a]	$29,172,962	$333,928
Subtract:	Salaries and wages	($17,183,710)	($225,041)
Subtract:	Employee benefits	($5,949,876)	($68,653)
Subtract:	Fuel	($2,526,075)	($3,825)
Subtract:	50% of contracted repairs/maintenance	($241,841)	($2,923)
Subtract:	Debt service	($37,158)	$0
Subtract:	Insurance	($20,597)	($810)
Equals:	Estimated taxable purchases	$3,213,705	$32,676
Begin with:	Estimated taxable purchases	$3,213,705	$32,676
Multiply by:	Sales tax rate[b]	5%	5%
Equals:	Estimated sales taxes	$160,690	$1,634
Begin with:	Estimated sales taxes	$160,690	$1,634
Divide by:	Total miles	19,342,263	6,118,148
Equals:	Sales tax cost/mile	--	--
Multiply by:	Reimbursable miles	--	--
Equals:	Reimbursable costs[c]	$143,051	$1,432
Begin with:	Reimbursable costs	$143,051	$1,432
Divide by:	Reimbursable miles	17,259,906	5,670,430
Equals:	Reimbursable cost/mile	$0.01	$0.00
Begin with:	Reimbursable costs	$143,051	$1,432
Divide by:	Average daily ridership	85,677	27,749
Equals:	Reimbursable cost/rider	$1.67	$0.05

		Cost/Mile Ratio	Cost/Rider Ratio
Begin with:	Effect on non-contract districts	$0.01	$1.67
Subtract:	Effect on contract districts	$0.00	$0.05
Equals:	Effect on difference in reimbursable cost ratios	**$0.01**	**$1.62**

[a] Amount excludes administrative allowance, in-lieu payments, contract busing service, depreciation, payments received and adjustments for ineligible riders.

[b] IDAHO CODE § 63-3619, IDAPA rules 35.01.02.094, 35.01.06.016.

[c] Refer to Note B in General Methods.

Appendix E-3

Public Employees Retirement System of Idaho (PERSI)

School districts are required to contribute to the Public Employees Retirement System of Idaho (PERSI) for all employees who work more than 20 hours per week. District PERSI contributions for pupil transportation personnel are paid through the state transportation support program. Pupil transportation contractors are not required to contribute to a retirement system, although they may do so and include these costs in their bills to districts. Mandatory PERSI contributions may lead to higher pupil transportation costs for non-contracting districts.

Assumptions and Calculation Notes

- We used actual PERSI expenditures reported by districts in the *Pupil Transportation Financial Summary*.
- Contractors may contribute to alternative retirement programs. According to the information we gathered, these programs are unlikely to offer as many benefits or be as costly as PERSI. We did not calculate a cost for a program for contractors.
- Prior to the 1994–95 school year, PERSI costs were not included in district transportation reimbursement claims, but were paid directly by the Department of Education. Since PERSI was not a component of reimbursable cost ratios prior to 1994–1995, it was not a factor in the cost differentials between contracting and non-contracting districts at that time.
- The estimated effect of PERSI contributions on the reimbursable cost ratios would be reduced to the extent that the costs of optional retirement systems for contractors were included in their bills to districts.

Conclusions

Payment of PERSI contributions by non-contracting districts accounted for $0.08 per mile or $15.95 per rider in the reimbursable cost ratio. Contracting districts paid $0.80 per rider in reimbursable PERSI costs for district transportation employees. The effect on cost per mile is negligible. The net effect widened the difference between the cost ratios by $0.08 per mile or $15.15 per rider.

Table E-3: Estimated Effect of PERSI on Reimbursable Cost Ratios, 1994–1995

		Non-Contract District Totals	Contract District Totals
Begin with:	District PERSI costs	$1,517,864	$24,142
Divide by:	Total miles	19,342,263	6,118,148
Equals:	PERSI cost/mile	---	---
Multiply by:	Reimbursable miles	---	---
Equals:	Reimbursable costs[a]	$1,366,156	$22,319
Begin with:	Reimbursable costs	$1,366,156	$22,319
Divide by:	Reimbursable miles	17,259,906	5,670,430
Equals:	Reimbursable cost/mile	$0.08	$0.00
Begin with:	Reimbursable costs	$1,366,156	$22,319
Divide by:	Average daily ridership	85,677	27,749
Equals:	Reimbursable cost/rider	$15.95	$0.80
		Cost/Mile Ratio	Cost/Rider Ratio
Begin with:	Effect on non-contract districts	$0.08	$15.95
Subtract:	Effect on contract districts	$0.00	$0.80
Equals:	Effect on difference in reimbursable cost ratios	**$0.08**	**$15.15**

[a] Refer to Note B in General Methods.

Appendix E-4

Capital Outlay Other Than Buses

Non-contracting school districts are not reimbursed for capital outlay, such as land, buildings, or equipment through the transportation support program.[1] Contractors can include the costs of all capital outlay in their contract prices. This can result in higher reported pupil transportation costs for contracting districts.

Assumptions and Calculation Notes

- Capital outlay costs would be recovered as depreciation.
- We used Internal Revenue Service classifications to estimate annual depreciation or amortization amounts.
- We did not obtain actual contractor investment cost data for capital outlay.
- We did not account for how districts originally acquired or financed their assets. For example, district land or buildings may have been donated to the district, or financed with general obligation bonds.
- We assumed that the department would reimburse costs for depreciation on capital outlay other than buses and bus leases the same way they currently reimburse for bus depreciation. That is, we assumed they would not pro-rate these costs between reimbursable and non-reimbursable miles.
- We assumed contractors incurred costs for capital assets in operating their transportation services. We assumed that they recovered their costs through the prices charged to contracting districts.
- We used the current values districts reported on our survey for land, buildings, furniture and fixtures, equipment, and vehicles other than school buses. Use of current values rather

[1] They are reimbursed for some of their school bus costs and two-way radios.

than historical data could overstate the actual effect of these costs on the apparent cost difference.

- We asked districts to estimate current market value or insured value of assets they would not have acquired without a pupil transportation program. We did not attempt to quantify capital outlay costs for assets shared with other district programs. Our estimates may be understated as a result.

- This effect is computed for statewide total reimbursable cost ratio, rather than on an individual district basis.

Conclusion

Allowing reimbursement for depreciation on capital assets in non-contracting districts would have accounted for an estimated $0.06 per mile or $11.93 per rider in the reimbursement cost ratios. On a per mile basis, this represents 12.5 percent of the $0.48 per mile difference between contracting and non-contracting districts. On a per rider basis, this represents 11.5% of the $103.87 per rider difference.

Table E-4: Estimated Effect of Capital Outlay Other Than Buses on Reimbursable Cost Ratios, 1994–1995

Estimated District Investment in Non-Reimbursable Capital Assets (Current Market Value)	Aggregate Total of Districts' Responses	Average Investment Per Reporting District	IRS Class Life	Estimated Depreciation Annual Cost
Land (n=48)	$1,527,721	$32,036	39	$39,429
Buildings (n=62)	$8,624,470	$139,104	39	$221,140
Furniture and fixtures (n=53)	$721,002	$13,604	7	$103,000
Vehicles excluding yellow buses (n=43)	$639,182	$14,865	5	$127,836
Subtotal	$14,350,502	$246,744		$895,424
Annual leasing costs (n=7)	$126,925	$18,132	1	$126,925
TOTAL	**$14,477,427**	**$264,876**		**$1,022,349**
1994–95 reimbursable miles				17,259,906
1994–95 average daily riders				85,677
Reimbursable cost/reimbursable mile				$0.06
Reimbursable cost/rider				$11.93

Appendix D-5

School Bus Depreciation

School districts that purchase their own buses receive bus replacement allowances according to depreciation schedules set forth in administrative rule. Depending on the classification of bus, these schedules spread the allowance over 10, 12, or 15 years. Contractors must depreciate their buses over a 6-year span for federal income tax purposes. If contractors use the federal tax depreciation schedule when determining their contract prices, they will recover more of their bus purchase costs annually than non-contracting districts. This could understate pupil transportation costs for non-contracting districts.

Assumptions and Calculation Notes

- We used the depreciation schedules, vehicle cost data, depreciation amounts, and residual values shown in administrative rule as examples for each vehicle class. Department depreciation calculations apply a constant depreciation percentage factor to the declining value of the vehicle.
- Internal Revenue Service (IRS) depreciation for school buses is calculated under the *Modified Accelerated Cost Recovery System* (MACRS) for 5-year class life as defined in IRS Publication #534. Although school buses are considered to be 5-year class vehicles for purposes of MACRS, the actual depreciation is spread over 6 tax years following a mid-year accounting convention. The MACRS rates we used in this analysis are: Year 1, 20.00%; Year 2, 32.00%; Year 3, 19.20%; Years 4 and 5, 11.52%; and Year 6, 5.76%. We applied IRS depreciation percentages for each year to the original depreciable cost (basis).

- In estimating IRS depreciation allowances, we used the same residual value for the bus the department used in its tables. To produce a conservative estimate, we subtracted the residual value *prior* to applying MACRS depreciation rates.
- We assumed that contractors attempt to recover all depreciation costs within the maximum statutory contract period or MACRS class life of five years. Consequently, our analysis shows the maximum effect on cost ratios. If contractors used longer recovery periods to compute pricing, actual effects could be less.
- We assumed non-contracting district bus fleets had equal numbers of 10, 12, and 15 year class buses.
- How and when buses are bought and sold by contractors will have an effect on the amount of depreciation a contractor can claim. Issues relating to depreciation recapture, capital gains or losses, and other tax issues may further affect contractor purchasing and contract pricing decisions. We did not attempt to measure these factors.
- No adjustments have been made to address the age limitation on the depreciation of used buses as imposed by administrative rule. This limitation does not apply to contractor-purchased buses.
- In non-contracting districts, the depreciation cost used in the reimbursable cost ratios is a weighted average. Individual non-contracting districts would experience higher or lower effects based on the actual amount of depreciation in the calculation of their reimbursable cost ratios.
- Annual depreciation amounts under the department or IRS schedules may or may not correspond with the actual decline in the market value of the bus.

Conclusion

Calculating depreciation allowances for bus purchases based on the IRS depreciation schedules used by contractors for tax purposes would increase non-contracting cost ratios by an estimated $0.10 per mile or $20.81 per rider. On a cost per mile basis, this represents 20.8 percent of the $0.48 per mile difference between contracting and non-contracting districts. On a cost per rider basis, this represents 20.0 percent of the $103.87 per rider difference.

Table E-5a: Comparison of State Department of Education and Internal Revenue Service Depreciation Schedules, 1994–1995

	Depreciation Schedules Based on Class Life of Bus			
	10 Year	12 Year	15 Year	Total[a]
Estimated bus value	$30,000	$45,000	$60,000	$135,000
Declining balance depreciation rate	20.00%	16.67%	13.33%	15.93%
Maximum depreciation	**$26,779**	**$39,955**	**$52,982**	**$119,717**
Residual value	$3,221	$5,045	$7,018	$15,283
Residual value percent	10.74%	11.21%	11.70%	11.32%
SDE computation				
First six years' depreciation				
Year 2	$4,800	$6,251	$6,932	$17,983
Year 3	$3,840	$5,209	$6,008	$15,057
Year 4	$3,072	$4,341	$5,207	$12,620
Year 5	$2,458	$3,617	$4,513	$10,588
Year 6	$1,966	$3,014	$3,911	$8,892
TOTAL	$22,136	$29,933	$34,569	$86,638
IRS computation				
Year 1	$5,356	$7,991	$10,597	$23,943
Year 2	$8,569	$12,786	$16,954	$38,309
Year 3	$5,142	$7,671	$10,173	$22,986
Year 4	$3,085	$4,603	$6,104	$13,791
Year 5	$3,085	$4,603	$6,104	$13,791
Year 6	$1,542	$2,301	$3,052	$6,896
TOTAL	$26,779	$39,955	$52,982	$119,717
IRS schedule ÷ SDE schedule factor	1.21	1.33	1.53	1.38

[a] Percentages shown in total column are weighted averages based on totals shown.

Table E-5b: Estimated Effect of Differences Between State Department of Education and Internal Revenue Service Depreciation Schedules on Reimbursable Cost Ratios, 1994–1995

		Non Contracting Districts	
		Cost Per Mile	Cost Per Rider
Begin with:	Total reimbursable costs	$31,023,715	$31,023,715
Subtract:	In-lieu payments	($346,555)	($346,555)
Equals:	Net reimbursable costs	$30,677,160	$30,677,160
Begin with:	Net reimbursable costs	$30,677,160	$30,677,160
Divide by:	Reimbursable miles or riders	17,259,906	85,677
Equals:	Reimbursable cost/mile or rider	$1.78	$358.06
Begin with:	Depreciation allowance	$4,669,707	$4,669,707
Divide by:	Reimbursable miles or riders	17,259,906	85,677
Equals:	Reimbursable cost/mile or rider	$0.27	$54.50
Begin with:	Department reimbursable cost ratio	$1.78	$358.06
Subtract:	Depreciation portion	($0.27)	($54.50)
Equals:	Reimbursable costs net of depreciation	$1.51	$303.55
Begin with:	Department depreciation amount	$0.27	$54.50
Multiply by:	Factor of IRS depreciation to SDE depreciation[a]	1.38	1.38
Equals:	IRS schedule adjusted depreciation	$0.37	$75.31
Begin with:	Reimbursable costs net of depreciation	$1.51	$303.55
Add:	IRS schedule adjusted depreciation	$0.37	$75.31
Equals:	Adjusted reimbursement ratio	$1.88	$378.87
Subtract:	Department reported ratio	($1.78)	($358.06)
Equals:	Effect of different depreciation schedules on reimbursable cost ratios	$0.10	$20.81

[a] See Table E-5a.

Appendix E-6

Debt Service

Non-contracting school districts cannot claim reimbursement for debt service (interest) on purchases of major items such as buses, buildings, or land, except for bus purchase contracts signed prior to April 1, 1991. Pupil transportation contractors can include financing costs in their contract prices. This could understate pupil transportation costs for non-contracting districts.

Assumptions and Calculation Notes

- We estimated two amounts separately and combined their effect: additional amounts for debt service on bus purchases, and debt service for other capital asset purchases.
- We used debt service on bus purchases claimed by districts in 1990–91 as the base to estimate additional debt service for buses. School year 1990–91 was the last year for which debt service on new contracts was allowed.
- We assumed that other capital outlay was financed for more than one year at an interest rate of 4 percent per year. Actual financing costs differ according to length of term, whether rates are variable or fixed, how payments are structured, and the amount of down payment or trade-in, if any.
- We estimated the average outstanding balance of the financed amount as the beginning plus ending balances, divided by two.
- We did not determine the amount of debt service which may be included in the contractor price to school districts.
- We did not determine contractors' cost of capital, which is the weighted average cost of borrowing plus their required return on investment.
- A school district's access to capital through state funding and local property taxes is not available to contractors. Further,

interest on bonds issued by school districts would be tax exempt. Since contractors could have higher interest rates, and a desired return on investment, an additional amount of the difference between contracting and non-contracting districts could be attributable to debt service incurred by a contractor. For example, if private contractors had a cost of capital of 12 percent, an additional $0.04 per mile or $7.12 per rider could be attributable to contractor debt service.

Conclusion

Restrictions on reimbursement of debt service costs accounted for an estimated $0.02 per mile or $3.56 per rider of the difference in reimbursable cost ratios. On a cost per mile basis, this represented 4.2 percent of the $0.48 per mile difference between contracting and non-contracting districts. On a cost per rider basis, this represented 3.4 percent of the $103.87 per rider

Table E-6a: Estimated Effect of Debt Service for Bus Purchases (Leases) on Reimbursable Cost Ratios, 1994–1995

		Non-Contract District Totals
Begin with:	1990–91 debt service	$85,254
Divide by:	Total miles	17,710,265
Equals:	Debt service cost/mile	--
Multiply by:	Reimbursable miles	--
Equals:	Reimbursable debt service costs[a]	$76,268
Begin with:	Reimbursable costs	$76,268
Divide by:	Reimbursable miles	15,851,885
Equals:	Reimbursable cost/mile	$0.005
Begin with:	Reimbursable costs	$76,268
Divide by:	Average daily ridership	80701
Equals:	Reimbursable cost/rider	$0.95
Begin with:	1994–95 debt service	$37,158
Divide by:	Total miles	19,342,263
Equals:	Debt service cost/mile	--
Multiply by:	Reimbursable miles	--
Equals:	Reimbursable debt service costs[a]	$32,467
Begin with:	Reimbursable costs	$32,467
Divide by:	Reimbursable miles	17,259,906
Equals:	Reimbursable cost/mile	$0.002
Begin with:	Reimbursable costs	$32,467
Divide by:	Average daily ridership	85,677
Equals:	Reimbursable cost/rider	$0.38

		Cost/Mile Ratio	Cost/Rider Ratio
Begin with:	1990–91 effect	$0.005	$0.95
Subtract:	1994–95 effect	($0.002)	($0.38)
Equals:	Reduction in non-contract district cost ratios relating to debt service	$0.003	$0.57

[a] Refer to Note B in General Methods.

Table E-6b: Estimated Effect of Debt Service for Other Capital Expenditures on Reimbursable Cost Ratios, 1994–1995

		Non-Contract District Totals
Begin with:	Estimated capital assets	$14,350,502
Add:	Ending loan balance	$0
Equals:	Subtotal	$14,350,502
Divide by:	Two	2
Equals:	Average outstanding loan balance	$7,175,251
Multiply by:	Annual interest rate	4.00%
Equals:	Estimated annual interest cost	$287,010
Begin with:	Estimated annual interest cost	$287,010
Divide by:	Total miles	19,342,263
Equals:	Estimated interest cost/mile	$0.0148
Multiply by:	Reimbursable miles	17,259,906
Equals:	Equals estimated reimbursable interest costs	$256,111
Begin with:	Estimated reimbursable interest costs	$256,111
Divide by:	Reimbursable miles	17,259,906
Equals:	Reimbursable cost/mile	$0.015
Begin with:	Estimated reimbursable interest costs	$256,111
Divide by:	Reimbursable riders	85,677
Equals:	Reimbursable cost/rider	$2.99

Table E-6c: Combination of Estimated Effects of Debt Service on Reimbursable Cost Ratios, 1994–1995

		Cost/Mile Ratio	Cost/Rider Ratio
Begin with:	Effect of interest on buses	$0.003	$0.57
Add:	Effect of interest on other capital outlay	$0.015	$2.99
Equals:	Effect of interest on cost comparisons	$0.02	$3.56

Appendix E-7

Insurance

School districts carry insurance policies that cover items such as liability, damage to school buses, and uninsured motorist accidents. Some coverages are required by law for all districts. Non-contracting school districts cannot claim the premiums for such policies as pupil transportation costs.[1] Contractors can include the costs of insurance in their pupil transportation prices. This could understate pupil transportation costs for non-contracting districts.

Assumptions and Calculation Notes

- We used insurance bills for five non-contracting districts for 1994–95 to estimate average district insurance costs statewide. Four of the five districts had an estimated $0.05 per reimbursable mile in non-reimbursable transportation insurance costs. The other district had an estimated $0.04 cost per mile. All five districts used the Idaho School Boards Association master policy, used by 97 of the state's 112 districts. The basic coverage provided a district under the master policy is the same and therefore comparable.
- We did not adjust for differences by district in physical damage coverage based on vehicle age.
- Insurance costs from the actual insurance invoice were allocated to transportation in our calculations as follows: allocated to transportation as follows:
    - Bus garage property and employee tool floaters: 100%

[1] Property insurance for the bus garage is reimbursable.

• General liability and wrongful acts:	Ratio of total transportation[2] costs to total district expenditures[3]
• Buses (liability and physical damage):	100%
• Uninsured motorist and auto medical:	50%[4]
• Umbrella liability for transportation:	100%

- District policy costs covered one year. We did not adjust for insurance years that may have been different from fiscal years.
- Four of the five districts in this analysis maintained coverage for physical damage to the bus fleet. Three of the five maintained both collision and comprehensive; two of the five insured only for comprehensive damage. As noted in the report, until 1989–90, the department reimbursed the costs for collision and comprehensive insurance premiums. However, at that time, staff determined it would cost less to reimburse actual claims. Additional review would be necessary to determine reasons why districts maintain these coverages if repair costs are reimbursed.
- If insurance costs in all districts ranged from $0.04 to $0.05 per mile, non-contracting districts as a group would have non-reimbursed pupil transportation related insurance costs between $690,000 and $863,000 per year. Statewide, we estimate the total at $1.1 million.

Conclusion

Unreimbursed, transportation-related insurance costs accounted for an estimated $0.05 per mile or $8.33 per rider of the difference between reimbursable cost ratios. On a cost per mile basis, this represented 10.4 percent of the $0.48 per mile difference between contracting and non-contracting districts. On a cost per rider basis, this represented 8.0 percent of the $103.87 per rider difference.

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[2] Includes school, activity, and general transportation, General Maintenance and Operation Fund only.

[3] Excludes transfers out, General Maintenance and Operation Fund only.

[4] The balance of these costs are assumed to cover non-transportation vehicles such as maintenance trucks, drivers training vehicles, staff vehicles, etc.

Table E-7: Estimated Amount of Non-Reimbursable Insurance Allocated to Transportation in Five Sample Districts, 1994–1995, With Effect on Cost Ratios

Coverage	District A	District B	District C	District D	District E	Total/ Average
Property	$0	$0	$0	$0	$0	$0
Bus garage	$233	$860	$153	$259	$112	$1,617
Employee tool floater	$258	$0	$0	$0	$0	$258
General liability and wrongful acts[a]	$7,307	$5,407	$3,810	$6,111	$1,737	$24,373
Buses						
Liability	$30,237	$19,451	$13,829	$23,695	$6,512	$93,724
Physical damage	$2,008	$2,691	$2,734	$0	$2,729	$10,162
Uninsured motorist	$1,626	$1,069	$1,238	$955	$496	$5,383
and Auto medical	$2,252	$2,263	$1,775	$1,487	$616	$8,392
Umbrella liability						
Transportation	$27,604	$13,622	$12,786	$12,480	$7,488	$73,980
Other	$0	$0	$0	$0	$0	$0
Total	$71,525	$45,363	$36,325	$44,987	$19,690	$217,889
Less: amount already reimbursed	($233)	($860)	($153)	($259)	($112)	($1,617)
Non-reimbursable transportation insurance	**$71,292**	**$44,503**	**$36,172**	**$44,728**	**$19,578**	**$216,272**
Total riders	9,000	6,025	3,550	4,120	1,526	24,221
Total miles	1,755,324	894,681	758,737	889,712	427,228	4,725,682
Factor (cost ÷ total miles)	0.0406	0.0497	0.0477	0.0503	0.0458	0.0427
Reimbursable miles	1,707,035	792,235	709,039	817,219	397,339	4,422,867
Reimbursable costs	$69,306	$39,374	$33,821	$41,106	$18,198	$201,805
Reimbursable cost/mile of non-reimbursed insurance	$0.04	$0.05	$0.05	$0.05	$0.05	$0.05
Reimbursable cost/rider of non-reimbursed insurance	$7.70	$6.54	$9.53	$9.98	$11.93	$8.33

[a] Allocated on ratio of total transportation expenditures to total expenditures in General Maintenance and Operation Fund.

Appendix E-8

State Unemployment Insurance

School districts do not pay unemployment insurance premiums. Instead, a district's actual unemployment-related expenses are billed directly to the Department of Education. Therefore, these costs are not included in reimbursable costs for pupil transportation in non-contracting school districts. On the other hand, private employers, such as transportation contractors, pay premiums for state unemployment insurance. The base rate for these premiums in 1994-95 was 2.1 percent for the first $21,000 of annual income. Because unemployment-related claims do not appear in non-contracting districts' ratios, pupil transportation costs in those districts are understated.

Assumptions and Calculation Notes

- We did not collect data on actual transportation-related unemployment claims paid in non-contracting districts. We assumed non-contracting districts would have had costs equal to 2.1 percent of their salary costs for bus drivers and mechanics if they had paid state unemployment insurance premiums, and had paid them at the same rate as contractors. We did not adjust for variations in district or contractor rates due to local claims history ratings or salary levels.

Conclusion

Exclusion of state unemployment insurance costs accounted for an estimated $0.02 per mile or $3.62 per rider of the difference between reimbursable cost ratios. On a per mile basis, this represented 4.2 percent of the $0.48 per mile difference between contracting and non-contracting districts. On a cost per rider basis, this represented 3.5 percent of the $103.87 per rider difference.

Table E-8: Estimated Effect of State Unemployment Insurance on Reimbursable Cost Ratios, 1994–1995

		Non-Contract District Totals	Contract District Totals
Begin with:	District personnel costs	$17,183,710	$225,041
Multiply by:	State unemployment insurance rate[a]	2.1%	2.1%
Equals:	Estimated state unemployment insurance	$360,858	$4,726
Begin with:	Estimated state unemployment	$360,858	$4,726
Divide by:	Total miles	19,342,263	6,118,148
Equals:	State unemployment insurance cost/mile	--	--
Multiply by:	Reimbursable miles	--	--
Equals:	Reimbursable costs[b]	$323,636	$4,362
Begin with:	Reimbursable costs	$323,636	$4,362
Divide by:	Reimbursable miles	17,259,906	5,670,430
Equals:	Reimbursable cost/mile	$0.02	$0.00
Begin with:	Reimbursable costs	$323,636	$4,362
Divide by:	Average daily ridership	85,677	27,749
Equals:	Reimbursable cost/rider	$3.78	$0.16
		Cost/Mile Ratio	Cost/Rider Ratio
Begin with:	Effect on non-contract districts	$0.02	$3.78
Subtract:	Effect on contract districts	$0.00	$0.16
Equals:	Effect on difference in reimbursable cost ratios	**$0.02**	**$3.62**

[a] Data obtained from Department of Employment.
[b] Refer to Note B in General Methods.

Appendix E-9

Bus Driver Wages

We surveyed all school districts for the average wages they paid bus drivers. On average, we found that non-contracting school districts paid higher wages to bus drivers than contractors paid in contracting districts. As a result, non-contracting districts had higher bus driver costs than contracting districts.

Assumptions and Calculation Notes

- We averaged the bus driver wages reported from 82 of 88 non-contracting districts and 16 of 22 contracting districts.
- We did not weight bus driver salaries by the number of drivers per district or the number of hours worked per driver.
- The analysis covers only the base hourly costs as reported by the districts in our survey.

Conclusion

Lowering total bus driver wage costs in non-contracting districts to the same level as rates for contractors increased the difference in reimbursable cost ratios. An estimated $0.09 per mile or $17.11 per rider would be *added* to the differences in reimbursable cost ratios if non-contracting and contracting district salaries were equalized.

Table E-9: Estimated Effect of Bus Driver Wages on Reimbursable Cost Ratios, 1994–1995

		Non-Contract District Totals	Contract District Totals
Begin with:	Bus drivers wage	$12,667,593	$28,896
Divide by:	Total district miles	--	--
Equals:	Bus drivers cost/mile	--	--
Multiply by:	Reimbursable miles	--	--
Equals:	Total reimbursable costs[a]	$11,375,824	$25,392
Begin with:	Total reimbursable costs	$11,375,824	$25,392
Divide by:	Reimbursable miles	17,259,906	5,670,430
Equals:	Reimbursable cost/mile	$0.66	$0.00
Begin with:	Total reimbursable costs	$11,375,824	$25,392
Divide by:	Average daily ridership	85,677	27,749
Equals:	Reimbursable cost/rider	$132.78	$0.92
		Cost/Mile Ratio	Cost/Rider Ratio
Begin with:	Effect on non-contract districts	$0.66	$132.78
Subtract:	Effect on contract districts	$0.00	$0.92
Equals:	Base difference in reimbursable cost ratios	**$0.66**	**$131.86**
Begin with:	Non-contract district average wage	$9.25	$9.25
Divide by:	Contract district average wage	$8.05	$8.05
Equals:	Salary multiplier effect	1.15	1.15
Begin with	Base difference in reimbursable cost ratios	$0.66	$131.86
Divide by:	Salary multiplier effect	1.15	1.15
Equals:	Contractor equivalent costs	$0.57	$114.75
Subtract:	Base difference in reimbursable cost ratios	$0.66	$131.86
Equals:	Effect of driver wages on reimbursable cost ratios	($0.09)	($17.11)

[a] Refer to Note B in General Methods.

Appendix E-10

Mechanic Wages

We surveyed all school districts for the average wages paid to mechanics. On average, we found that non-contracting school districts paid higher wages than contracting districts for mechanics. As a result, non-contracting districts had higher pupil transportation costs than contracting districts.

Assumptions and Calculation Notes

- We averaged the wages reported by 63 of 88 non-contracting districts and 9 of 22 contracting districts regarding mechanic salaries.
- We did not weight mechanic wages by the number of mechanics per district or the number of hours worked per mechanic.
- We did not include amounts paid for mechanic labor costs that are included in the district's reimbursement claim form under the heading *Contracted Maintenance and Repairs.* However, in our survey, some small districts reported hourly mechanic wages for individuals contracted on an as-needed basis. These costs may have been reimbursed through contracted maintenance and repairs.
- We used the base hourly wages districts reported on our survey. Districts or contractors may have incurred additional personnel costs that were not included in this analysis.

Conclusion

Lowering total bus mechanic wage costs in non-contracting districts to the same level as rates for contractors increased the difference in cost ratios. An estimated $0.03 per mile or $5.05 per rider would be *added* to the differences in reimbursable cost ratios if non-contracting and contracting district salaries were equalized.

Table E-10: Estimated Effect of Mechanic Wages on Reimbursable Cost Ratios, 1994–1995

		Non-Contract District Totals	Contract District Totals
Begin with:	Mechanic wage	$2,085,544	$24,937
Divide by:	Total district miles	--	--
Equals:	Mechanic cost/mile	--	--
Multiply by:	Reimbursable miles	--	--
Equals:	Total reimbursable costs[a]	$1,860,963	$21,200
Begin with:	Total reimbursable costs	$1,860,963	$21,200
Divide by:	Reimbursable miles	17,259,906	5,670,430
Equals:	Reimbursable cost/mile	$0.11	$0.00
Begin with:	Total reimbursable costs	$1,860,963	$21,200
Divide by:	Average daily ridership	85,677	27,749
Equals:	Reimbursable cost/rider	$21.72	$0.76
		Cost/Mile Ratio	Cost/Rider Ratio
Begin with:	Effect on non-contract districts	$0.11	$21.72
Subtract:	Effect on contract districts	$0.00	$0.76
Equals:	Base difference in reimbursable cost ratios	**$0.11**	**$20.96**
Begin with:	Non-contract district average wage	$13.42	$13.42
Divide by:	Contract district average wage	$10.19	$10.19
Equals:	Salary multiplier effect	1.32	1.32
Begin with	Base difference in reimbursable cost ratios	$0.11	$20.96
Divide by:	Salary multiplier effect	1.32	1.32
Equals:	Contractor equivalent costs	$0.08	$15.91
Subtract:	Base difference in reimbursable cost ratios	$0.11	$20.96
Equals:	Effect of mechanic wages on reimbursable cost ratios	($0.03)	($5.05)

[a] Refer to Note B in General Methods.

Appendix E-11

Employee Benefits for Bus Drivers and Mechanics

Certain employer-paid statutory benefits are calculated as a percentage of wages. These include taxes such as Social Security and Medicare (FICA). Because bus driver and mechanic wages are higher in non-contracting districts, the costs of employer-paid benefits for these positions will also be higher in non-contracting districts. As a result, non-contracting districts will have higher pupil transportation costs than contracting districts.

Assumptions and Calculation Notes

See Appendices E-9 and E-10 for assumptions regarding mechanic and bus driver wages.

- We did not adjust benefit rates for maximum salary caps for Social Security, Medicare or federal unemployment insurance or modify our calculations for actual claims history.
- We did not modify worker's compensation rates for claims history modifiers that may increase or decrease rates actually paid by districts. The worker's compensation base rate of 5.63 percent was reduced by a 20 percent discount for public employees to a rate of 4.50 percent.

Conclusion

Lowering costs for benefits required by law in non-contracting districts increased the difference in cost ratios. An estimated $0.01 per mile or $2.86 per rider would be *added* to the differences in reimbursable cost ratios if non-contracting and contracting districts driver and mechanic salaries and therefore statutory benefits, were equalized.

Table E-11a: Estimated Effect of Benefits for Bus Drivers on Reimbursable Cost Ratios, 1994–1995

		Non-Contract District Totals	Contract District Totals
Begin with:	Social security tax rate	6.20%	6.20%
Add:	Medicare tax rate	1.45%	1.45%
Add:	Federal unemployment tax rate	0.80%	0.80%
Add:	Workers compensation [base] rate	4.50%	4.50%
Equals:	Total statutory benefits paid by employer	12.95%	12.95%
Begin with:	Total bus driver wages	$12,667,593	$28,896
Multiply by:	Statutory benefit rates	12.95%	12.95%
Equals:	Estimated statutory benefit costs	$1,640,453	$3,742
Begin with:	Estimated statutory benefit costs	$1,640,453	$3,742
Divide by:	Total district miles	—	—
Equals:	Wages cost/mile	—	—
Multiply by:	Reimbursable miles	—	—
Equals:	Total reimbursable costs[a]	$1,473,090	$3,276
Begin with:	Total reimbursable costs	$1,473,090	$3,276
Divide by:	Reimbursable miles	17,259,906	5,670,430
Equals:	Reimbursable cost/mile	$0.09	$0.00
Begin with:	Total reimbursable costs	$1,473,090	$3,276
Divide by:	Average daily ridership	85,677	27,749
Equals:	Reimbursable cost/rider	$17.19	$0.12

[a] Refer to Note B in General Methods.

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		Cost/Mile Ratio	Cost/Rider Ratio
Begin with:	Effect on non-contract districts	$0.09	$17.19
Subtract:	Effect on contract districts	$0.00	$0.12
Equals:	Base difference in reimbursable cost ratios	**$0.09**	$17.07
Begin with:	Non-contract district average wage	$9.25	$9.25
Divide by:	Contract district average wage	$8.05	$8.05
Equals:	Salary multiplier effect	1.15	1.15
Begin with	Base difference in reimbursable cost ratios	$0.09	$17.07
Divide by:	Wage multiplier effect	1.15	1.15
Equals:	Contractor equivalent costs	$0.08	$14.86
Subtract:	Base difference in reimbursable cost ratios	$0.09	$17.07
Equals:	Effect of driver benefits on reimbursable cost ratios	($0.01)	($2.21)

Table E-11b: Estimated Effect of Benefits for Mechanics on Reimbursable Cost Ratios, 1994–1995

		Non-Contract District Totals	Contract District Totals
Begin with:	Social security tax rate	6.20%	6.20%
Add:	Medicare tax rate	1.45%	1.45%
Add:	Federal unemployment tax rate	0.80%	0.80%
Add:	Workers compensation [base] rate	4.50%	4.50%
Equals:	Total statutory benefits paid by employer	12.95%	12.95%
Begin with:	Total mechanic wages	$2,085,544	$24,937
Multiply by:	Statutory benefit rates	12.95%	12.95%
Equals:	Estimated statutory benefit costs	$270,078	$3,229
Begin with:	Estimated statutory benefit costs	$270,078	$3,229
Divide by:	Total district miles	--	--
Equals:	Wages cost/mile	--	--
Multiply by:	Reimbursable miles	--	--
Equals:	Total reimbursable costs[a]	$240,873	$2,745

Table continued on next page.

Table continued from previous page.

		Non-Contract District Totals	Contract District Totals
Begin with:	Total reimbursable costs	$240,873	$2,745
Divide by:	Reimbursable miles	17,259,906	5,670,430
Equals:	Reimbursable cost/mile	$0.01	$0.00
Begin with:	Total reimbursable costs	$240,873	$2,745
Divide by:	Average daily ridership	85,677	27,749
Equals:	Reimbursable cost/rider	$2.81	$0.10
		Cost/Mile Ratio	Cost/Rider Ratio
Begin with:	Effect on non-contract districts	$0.01	$2.81
Subtract:	Effect on contract districts	$0.00	$0.10
Equals:	Base difference in reimbursable cost ratios	**$0.01**	**$2.71**
Begin with:	Non-contract district average wage	$13.42	$13.42
Divide by:	Contract district average wage	$10.19	$10.19
Equals:	Wage multiplier effect	1.32	1.32
Begin with	Base difference in reimbursable cost ratios	$0.01	$2.71
Divide by:	Wage multiplier effect	1.32	1.32
Equals:	Contractor equivalent costs	$0.01	$2.06
Subtract:	Base difference in reimbursable cost ratios	$0.01	$2.71
Equals:	Effect of mechanic benefits on reimbursable cost ratios	$0.00	($0.65)

Table E-11c: Combination of Estimated Effects of Benefits for Bus Drivers and Mechanics on Reimbursable Cost Ratios, 1994–1995

	Cost/Mile	Cost/Rider
Effect of bus driver statutory benefits	$0.01	$2.21
Effect of mechanic statutory benefits	$0.00	$0.65
Total effect of statutory benefits	$0.01	$2.86

[a] Refer to Note B in General Methods.

Appendix E-12

Bus Fleet Fuel Economy

Diesel buses achieve better mileage than gasoline buses. Diesel fuel is cheaper than gasoline for Idaho school districts. We determined that non-contracting districts have a higher percentage of diesel buses in their fleets, and obtain overall better fleet mileage. Consequently, non-contracting districts spend less per mile on fuel than contracting districts. This results in lower pupil transportation costs for non-contracting districts.

Assumptions and Calculation Notes

- We assumed the average miles per gallon figure each district provided was representative of the district's fleet.
- District-reported fuel prices were representative of the actual prices paid during the year under review.
- We assumed each diesel bus in a district's diesel fleet drove approximately the same number of miles.
- We assumed each gas bus in a district's gas fleet drove approximately the same number of miles.
- For non-responding districts, we used the state average miles per gallon for gas and diesel buses. The state averages for gas and for diesel buses were not weighted for the number of miles in each district.
- For non-responding districts, we used the state average price for gas and diesel fuel.
- We calculated total gas miles as total miles driven (as reported in the *1994–95 Pupil Transportation Financial Summary*) minus total diesel miles driven (as reported on our survey).
- We did not adjust price data to account for districts that may not have claimed available tax exemptions or that accounted for those exemptions in another fashion.

- As noted in Appendix E-1, the diesel fuel excise tax had an effect of $0.01 per mile or $1.93 per rider. We subtracted these amounts from the fuel economy measurements to restrict the analysis to fuel economy differences related to miles per gallon and the non-taxed fuel price differences.

Conclusion

Fuel consumption differences between the two groups accounted for an estimated $0.03 per mile or $6.10 per rider of the difference in reimbursable cost ratios. On a per mile basis, this represented 6.3 percent of the $0.48 per mile difference between contracting and non-contracting districts. On a cost per rider basis, this represented 5.9 percent of the $103.87 per rider.

Table E-12: Estimated Effect of Bus Fleet Fuel Economy on Reimbursable Cost Ratios, 1994–1995

		Non-Contract District Totals	Contract District Totals
Begin with:	Total miles	19,182,316	6,118,148
Subtract:	Total diesel miles	-12,188,350	-2,364,391
Equals:	Total gas miles	6,993,966	3,753,757
Begin with:	Diesel miles	12,188,350	2,364,391
Divide by:	Diesel mpg	8.01	8.48
Equals:	Diesel gallons purchased	1,522,211	278,735
Begin with:	Gas miles	6,993,966	3,753,757
Divide by:	Gas mpg	4.80	4.81
Equals:	Gas gallons purchased	1,456,749	779,951
Begin with:	Diesel gallons purchased	1,522,211	278,735
Multiply by:	Average diesel cost[a]	$0.79	$1.01
Equals:	Diesel fuel costs	$1,208,593	$281,302
Begin with:	Gas gallons purchased	1,456,749	779,951
Multiply by:	Average gas cost	$0.99	$1.02
Equals:	Gas fuel costs	$1,445,769	$794,549
Begin with:	Estimated diesel costs	$1,208,593	$281,302
Add:	Estimated gas costs	$1,445,769	$794,549
Equals:	Total estimated fuel costs	$2,654,362	$1,075,851

Table continued on next page.

Table continued from previous page.

		Non-Contract District Totals	Contract District Totals
Begin with:	Estimated fuel costs	2,654,362	1,075,851
Divide by:	Total miles	--	--
Equals:	Fuel cost/mile	--	--
Multiply by:	Reimbursable miles	--	--
Equals:	Reimbursable fuel costs[b]	$2,380,420	$993,887
Begin with:	Reimbursable costs	$2,380,420	$993,887.00
Divide by:	Reimbursable miles	17,127,911	5,670,430
Equals:	Reimbursable cost/mile	$0.14	$0.18
Subtract:	State diesel excise tax effect	$0.00	($0.01)
Equals:	Net fuel economy effect	$0.14	$0.17
Begin with:	Reimbursable costs	$2,380,420	$993,887
Divide by:	Average daily ridership	85,677	27,749
Equals:	Reimbursable cost/rider	$27.78	$35.82
Subtract:	State diesel excise tax effect	$0.00	($1.93)
Equals:	Net fuel economy effect	$27.78	$33.89
		Cost/Mile Ratio	Cost/Rider Ratio
Begin with:	Effect on non-contract districts	$0.14	$27.78
Subtract:	Effect on contract districts	$0.17	$33.89
Equals:	Effect on difference in reimbursable cost ratios	**($0.03)**	**($6.10)**

[a] The average diesel cost difference measured here is approximately$0.22 per gallon, of which $0.21 is excise tax. The tax effect is subtracted out in a later step of the calculation.

[b] Refer to Note B in General Methods.

Appendix E-13

Special Needs Transportation

School districts are required to provide special needs transportation as necessary to meet the needs of their pupils. This may include additional transportation resources such as wheelchair lifts, transportation aides, and transportation to health specialists. On average, contracting district estimates of the percent of transportation costs related to special needs were higher than non-contracting district estimates. This results in higher pupil transportation costs for contracting districts.

Assumptions and Calculation Notes

- We used district estimates of their special needs transportation costs as a percent of total transportation costs.
- We estimated the number of students requiring special needs transportation by using department records of the percentage of special needs students requiring transportation under Individual Education Plans (IEPs). This method may underestimate total special needs ridership by excluding pupils with special needs who do not have an IEP.
- Special needs pupils are included in the average daily ridership numbers.
- We used the number of special needs buses districts reported in their survey responses.
- We assumed that special needs buses traveled the same average distance as other buses in the district.
- We assumed that the reimbursable cost ratios calculated and reported by the department included the cost of special needs transportation.

Conclusion

The higher proportion of special needs transportation costs reported by contracting districts accounts for an estimated $0.16 per mile or $53.08 per rider of the difference between reimbursable cost ratios. On a cost per mile basis, this represented 33.3 percent of the $0.48 per mile difference between contracting and non-contracting districts. On a cost per rider basis, this represented 51.1 percent of the $103.87 per rider difference.

Table E-13a: Estimated Allocation of Reimbursable Costs Between Regular and Special Needs Transportation, 1994–1995

		Non-Contract District Totals	Contract District Totals
Begin with:	Regular home-to-school buses	1,250	401
Add:	Special needs buses	130	73
Add:	Other buses	418	130
Equals:	Total buses	1,798	604
Begin with:	Total reimbursable miles	17,259,906	5,670,430
Divide by:	Total buses	1,798	604
Equals:	Average reimbursable miles/bus	9,600	9,388
Begin with:	Average reimbursable miles/bus	9,600	9,388
Multiply by:	Number of special needs buses	130	73
Equals:	Estimated reimbursable special needs miles	1,264,925	696,736
Begin with:	Total reimbursable miles	17,259,906	5,670,430
Subtract:	Estimated reimbursable special needs miles	-1,264,925	-696,736
Equals:	Estimated regular reimbursable miles	15,994,981	4,973,694
Begin with:	Net reimbursable costs[a]	$30,677,160	$12,818,128
Multiply by:	Estimated special needs cost percent[b]	11.05%	21.23%
Equals:	Estimated reimbursable special needs costs	$3,388,613	$2,720,945
Begin with:	Net reimbursable costs[a]	$30,677,160	$12,818,128
Subtract:	Estimated reimbursable special needs costs	($3,388,613)	($2,720,945)
Equals:	Estimated regular reimbursable costs	$27,288,547	$10,097,183

[a] Net reimbursable costs equals total reimbursable cost minus payments made in-lieu of transportation.
[b] The total percent of district costs for special needs transportation was computed by dividing the sum of the estimated special needs costs for each group of districts by the sum of their respective total reimbursable costs.

Table E-13b: Estimated Effect of Special Needs Transportation on Reimbursable Cost Ratios, 1994–1995

		Non-Contract District Totals	Contract District Totals
Begin with:	Total average daily ridership	85,677	27,749
Subtract:	Estimated special needs ridership[a]	-1,778	-898
Equals:	Estimated regular daily ridership	83,899	26,851
Begin with:	Estimated regular reimbursable costs[b]	$27,288,547	$10,097,183
Divide by:	Estimated regular daily ridership	83,899	26,851
Equals:	Estimated regular reimbursable cost/regular rider	$325.25	$376.04
Begin with:	Total reimbursable costs	$30,677,160	$12,818,128
Divide by:	Total daily ridership	85,677	27,749
Equals	Total reimbursable cost/rider	$358.06	$461.93
Begin with:	Total reimbursable cost/rider	$358.06	$461.93
Subtract:	Estimated regular reimbursable cost/regular rider	($325.25)	($376.04)
Equals:	Amount of ratio for special needs	$32.81	$85.89
Begin with:	Estimated regular reimbursable costs	$27,288,547	$10,097,183
Divide by:	Estimated regular reimbursable miles[b]	15,994,981	4,973,694
Equals:	Estimated regular reimbursable cost/regular mile	$1.71	$2.03
Begin with:	Total reimbursable costs	$30,677,160	$12,818,128
Divide by:	Total reimbursable miles	17,259,906	5,670,430
Equals	Total reimbursable cost/mile	$1.78	$2.26
Begin with:	Total reimbursable cost/mile	$1.78	$2.26
Subtract:	Estimated regular reimbursable cost/regular mile	($1.71)	($2.03)
Equals:	Amount of ratio for special needs	$0.07	$0.23
		Cost/Mile Ratio	Cost/Rider Ratio
Begin with:	Effect on non-contract districts	$0.07	$32.81
Subtract:	Effect on contract districts	$0.23	$85.89
Equals:	Effect on difference in reimbursable cost ratios	($0.16)	($53.08)

[a] Department of Education, report of students receiving *transportation-related services* under Individual Education Plans.

[b] See Table E-13a.

Appendix E-14

Allocation of Costs to Non-Reimbursable Miles

Reimbursable pupil transportation costs are determined by removing non-reimbursable costs from total costs. Department of Education staff do not allocate depreciation and contract costs to non-reimbursable miles as required by rule. We determined that if these costs were allocated as required, all districts would receive less money under the pupil transportation support program. The effect would be larger in non-contracting districts.

Assumptions and Calculation Notes

- We followed IDAPA rule 08.02.07.400.e.3 in recalculating reimbursable costs.
- Administrative rule specifies that *school bus contracts* should be included in total transportation costs when determining costs for non-reimbursable miles. We interpreted this to mean all school bus service contract costs, whether reimbursable or non-reimbursable.
- Under current practice, contracting districts determine reimbursable and non-reimbursable contract costs at the local level, and report both to the Department of Education. We used non-reimbursable contract costs as reported on the reimbursement claim forms.
- We excluded payments in-lieu of transportation from the reimbursable cost calculation, to be consistent with department methods for calculating and reporting reimbursable cost ratios. These payments do not relate to bus miles or bus riders.
- We did not reduce total district costs for payments received by districts for transportation and any adjustments for ineligible riders. However, these were removed from the reimbursable cost calculations, consistent with current Department of Education practice.

- For non-contracting districts, the department provides a bus replacement allowance for all buses used more than 50 percent of the time for home-to-school transportation, based on mileage.

Conclusion

Dividing all costs into reimbursable and non-reimbursable mileage in both contracting and non-contracting districts accounted for an estimated $0.03 per mile or $6.70 per rider of the difference between the reimbursable cost ratios. On a cost per mile basis, this represented 6.3 percent of the $0.48 per mile difference between contracting and non-contracting districts. On a cost per rider basis, this represented 6.4 percent of the $103.87 per rider difference.

Table E-14: Estimated Effect of Allocating Costs to Non-Reimbursable Miles on the Reimbursable Cost Ratios, 1994–1995

		Non-Contract District Totals	Contract District Totals
Begin with:	District level operating costs	$29,172,962	$333,928
Add:	Reimbursable contract busing service	$44,911	$12,521,175
Add:	Depreciation	$4,669,707	$633
Add:	Non-reimbursable contract bus service	$34,650	$590,660
Equals:	Adjusted total transportation costs	$33,922,230	$13,446,396
Begin with:	Adjusted total transportation costs	$33,922,230	$13,446,396
Divide by:	Total district miles	--	--
Equals:	Total cost/mile	--	--
Multiply by:	Reimbursable miles	--	--
Equals:	Adjusted reimbursable costs[a]	$30,379,768	$12,477,792
Add:	Administrative allowance	$21,684	$0
Subtract:	Payments received	($121,727)	($3,690)
Subtract:	Adjusted for ineligible riders	($92,308)	($785)
Equals:	Total adjusted reimbursable costs	$30,187,417	$12,473,317
Begin with:	Total adjusted reimbursable costs	$30,187,417	$12,473,317
Divide by:	Reimbursable miles	17,259,906	5,670,430
Equals:	Adjusted reimbursable cost/mile	$1.75	$2.20
Begin with:	Total adjusted reimbursable costs	$30,187,417	$12,473,317
Divide by:	Average daily ridership	85,677	27,749
Equals:	Adjusted reimbursable cost/rider	$352.34	$449.51
Begin with:	Adjusted reimbursable cost/mile	$1.75	$2.20
Subtract:	SDE published cost/mile	$1.78	$2.26
Equals:	Effect of allocation difference	($0.03)	($0.05)
Begin with	Adjusted reimbursable cost/rider	$352.34	$449.51
Subtract:	SDE published cost/rider	358.06	461.93
Equals:	Effect of allocation difference	($5.72)	($12.42)
		Cost/Mile Ratio	Cost/Rider Ratio
Begin with:	Effect on non-contract districts	($0.03)	($5.72)
Subtract:	Effect on contract districts	($0.06)	($12.42)
Equals:	Effect on difference in reimbursable cost ratios	**$0.03**	**$6.70**

[a] Refer to Note B in General Methods.

Appendix E-15

Relating Home-to-School Ridership to Total Costs

The reimbursable cost per pupil ratio is based on the home-to-school program ridership. However, the department's ratio includes reimbursable costs that are not part of home-to-school transportation. This has the effect of overstating costs *per rider* for contracting and non-contracting districts. The use of this divisor had a greater effect on contracting districts than non-contracting districts.

Assumptions and Calculation Notes

- We assumed all reimbursable miles have the same cost per mile.
- The use of this denominator had no effect on the cost per mile ratio. No distinction was made between costs for a reimbursable activity mile and a home-to-school mile.
- The allocation of reimbursable costs to each category of reimbursable miles introduced a rounding difference of approximately $0.009 in contract districts' reimbursable home-to-school cost per mile. This rounding-induced error reduced the contract district cost per mile ratio by $0.01 per mile. We manually adjusted our calculations to account for this effect.
- Home-to-school transportation is the only transportation required by the state. Costs for other reimbursable mileage are incurred as a result of local decisions to transport pupils for state-allowed purposes such as field trips.
- We estimated home-to-school costs using home-to-school mileage reported by districts on their claim forms.

Conclusion

Limiting the cost per rider ratio to home-to-school costs accounts for an estimated $12.95 per rider of the difference in the reimbursable cost per rider ratio. On a cost per rider basis, this represented 12.5 percent of the $103.87 per rider difference between contracting and non-contracting districts.

Table E-15: Estimated Effect of Use of Home-to-School Ridership in the Reimbursable Cost Ratio, 1994–1995

		Non-Contract District Totals	Contract District Totals
Begin with:	Total reimbursable costs	$31,023,715	$12,872,585
Subtract:	In-lieu payments	($346,555)	($54,457)
Equals:	Net reimbursable costs	$30,677,160	$12,818,128
Begin with:	Net reimbursable costs	$30,677,160	$12,818,128
Divide by:	Reimbursable miles	17,259,906	5,670,430
Equals:	Reimbursable cost/mile[a]	--	--
Multiply by:	Home to school miles	15,862,260	5,181,193
Equals:	Prorated reimbursable home-to-school costs	$28,224,423	$11,664,289
Begin with:	Reimbursable home-to-school costs	$28,224,423	$11,664,289
Divide by:	Reimbursable home-to-school miles	15,862,260	5,181,193
Equals:	Reimbursable home-to-school cost/mile	$1.78	$2.26
Subtract:	SDE total reimbursable cost/mile	$1.78	$2.26
Equals:	Effect of other reimbursable miles on reimbursable cost ratio	$0	$0
Begin with:	Reimbursable home-to-school costs	$28,224,423	$11,664,289
Divide by:	Average daily ridership	85,677	27,749
Equals:	Reimbursable home-to-school cost/rider	$329.43	$420.35
Subtract:	SDE total reimbursable cost/rider	$358.06	$461.93
Equals:	Effect of other reimbursable miles on reimbursable cost ratio	($28.63)	($41.58)
		Cost/Mile Ratio	Cost/Rider Ratio
Begin with:	Effect on non-contract districts	$0.00	($28.63)
Subtract:	Effect on contract districts	$0.00	($41.58)
Equals:	Effect on difference in reimbursable cost ratios	**$0.00**	**$12.95**

[a] Refer to Note B in General Methods.

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