

Home-to-School Transportation Program:

*The Funding Formula Should Be Modified
to Be More Equitable*



March 2007
2006-109

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CALIFORNIA STATE AUDITOR

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March 15, 2007

2006-109

The Governor of California
President pro Tempore of the Senate
Speaker of the Assembly
State Capitol
Sacramento, California 95814

Dear Governor and Legislative Leaders:

As requested by the Joint Legislative Audit Committee, the Bureau of State Audits presents its audit report concerning the Home-to-School Transportation (Home-to-School) program administered by the Department of Education.

This report concludes that the current legally prescribed funding mechanism prevents some school districts that did not receive Home-to-School program funds in the prior fiscal year from receiving these funds because of the basis of allocation. In addition, although the annual budget act increases the Home-to-School program funds to account for the increases in the statewide average daily attendance, these increases are less than the student population growth some school districts have experienced over the years. As a result, although some school districts might provide transportation to more students than they did in the past and, therefore, incur more transportation costs, their allocations have not increased at the same rate.

Further, during fiscal year 2004–05 urban school districts received less overall Home-to-School program payments per student transported than rural school districts (\$559 versus \$609) and paid for more overall costs per student transported from other state or local sources (\$828 versus \$298). On the other hand, while all school districts typically incurred higher costs to transport a special education student, such costs were higher in rural school districts (\$5,315) than in urban school districts (\$4,728). Lastly, staffing levels and student test scores bear no relationship to the amount of transportation expenditures the school districts paid per student from other state and local sources during fiscal year 2004–05.

Respectfully submitted,

A handwritten signature in cursive script that reads "Elaine M. Howle".

ELAINE M. HOWLE
State Auditor

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SUMMARY

RESULTS IN BRIEF

Although state laws require school districts and county offices of education (school districts) to provide transportation services only to special education students with transportation needs specified in their individualized education programs, many school districts also provide such services to regular education students. According to Department of Education (Education) data, California's school districts provided transportation to more than 91,000 special education students (at a total cost of \$438 million) and more than 830,000 regular education students (at a total cost of \$777 million) during fiscal year 2004–05. To help offset some of the expenditures school districts incur in providing transportation, the Legislature created the Home-to-School Transportation (Home-to-School) program. State laws require Education to allocate the Home-to-School program funds to school districts based on the lesser of their prior year allocations or approved costs. The Legislature appropriated \$487 million for the Home-to-School program for fiscal year 2004–05, and it appropriated \$511 million for fiscal year 2005–06.

The current legally prescribed funding mechanism prevents some school districts that did not receive Home-to-School program funds in the immediately preceding fiscal year from receiving these funds because of the basis of allocation. For example, 80 school districts provided both special education and regular education transportation; however, they received Home-to-School program funds for only one program because they had received funding for only one program in the preceding fiscal year. In addition, although the annual budget act increases the Home-to-School program funds to account for the increases in the statewide average daily attendance, these increases are less than the student population growth some school districts have experienced over the years. Specifically, in addition to cost-of-living adjustments, the Legislature typically increases Home-to-School program funds to account for the increases in average daily attendance. All school districts receive the same rate of increase for their student population growth. However, some have experienced more accelerated growth rates than others. As a result, some school districts might provide transportation to

Audit Highlights . . .

Our review of the Home-to-School Transportation (Home-to-School) program administered by the Department of Education found that:

- The current legally prescribed funding mechanism prevents some school districts from receiving Home-to-School program funds because of the basis of allocation.*
- Although the annual budget act increases the Home-to-School program funds to account for the increases in the statewide average daily attendance, these increases are less than the student population growth some school districts have experienced over the years.*
- Urban school districts received less overall Home-to-School program payments per student transported than rural school districts (\$559 versus \$609) and paid for more overall costs per student transported using non-Home-to-School program funds (\$828 versus \$298).*

continued on next page . . .

- ☑ *While all school districts typically incurred higher costs to transport a special education student, such costs were higher in rural school districts (\$5,315) than in urban school districts (\$4,728).*
 - ☑ *Staffing levels and student test scores bear no relationship to the amount of transportation expenditures the school districts paid per student from other state and local funding sources during fiscal year 2004–05.*
-

more students than they did in the past and, therefore, incur higher transportation costs, but their allocations have not increased at the same rate.

The fiscal data that school districts provided to Education for fiscal year 2004–05 show that approximately \$500 million of the \$1.2 billion school districts spent on student transportation were financed by the Home-to-School program funds. The remaining \$700 million came from other state or local sources. In comparison with rural school districts, urban school districts received less overall Home-to-School program payments per student transported (\$559 versus \$609) and paid for more overall costs per student transported from other state or local sources (\$828 versus \$298). On the other hand, all school districts typically incurred higher costs to transport a special education student, but such costs were higher in rural school districts (\$5,315) than in urban school districts (\$4,728).

Various factors caused the student transportation costs to vary even among similar school districts. For example, some school districts incurred higher costs for salaries and benefits or for equipment maintenance. Further, some school districts incurred large infrequent expenditures, such as the purchase of a new school bus, which inflated their total student transportation costs for the fiscal year we reviewed.

We found that staffing levels and student test scores bear no relationship to the amount of transportation expenditures the school districts paid per student from other state and local sources during fiscal year 2004–05. Staffing levels and student test scores did not change from one school district to another in the same manner and rate as the change in the expenditures they paid from other funding sources per student. However, most school districts had to use other funding sources to pay for some transportation costs, so they experienced varying levels of fiscal impact on other programs. Some school districts also received funding through two other state programs specifically intended to help with their student transportation costs. Some of these funds are now available to more school districts.

RECOMMENDATIONS

To determine the fiscal impact on school districts that do not receive the Home-to-School program funds, Education should:

- Identify all school districts that provide transportation services to their students but are not eligible to receive state funds for the Home-to-School program.
- Determine the actual transportation expenditures these school districts incur and the funding sources they use to pay for those expenditures.

To ensure that all school districts can participate and receive state funds for the Home-to-School program to help defray transportation costs, Education should seek legislation to revise the current laws to allow funding for all school districts that provide transportation services to regular education students, special education students, or both.

To ensure that school districts are funded equitably for the Home-to-School program, Education should seek legislation to revise the law to ensure that funding is flexible enough to account for changes that affect school districts' transportation programs, such as large increases in enrollment.

AGENCY COMMENTS

Education generally agrees with our recommendations and will take steps to address them. ■

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INTRODUCTION

BACKGROUND

State laws authorize California's school districts and county offices of education (school districts) to provide transportation services to regular education students attending their schools at the discretion of their governing board. The California Education Code requires school districts to provide transportation services for special education students whose individualized education programs require such services. Department of Education (Education) data show that, of the 933 school districts that reported transportation data in fiscal year 2004–05, 866 (93 percent) provided transportation to more than 830,000 regular education students and 423 (45 percent) provided transportation to more than 91,000 special education students during fiscal year 2004–05 at a cost of \$777 million and \$438 million, respectively.

School districts generally use one of two types of funding: general purpose or categorical. General purpose funds can be spent on everything from teacher salaries to utility bills. Categorical funds must be spent for specific purposes, such as instructional materials, English proficiency improvement, and academic programs for high-risk youths. Historically, categorical programs have been designed to remedy inequities among student populations; to ensure that all students, especially those who need the most assistance, are served; and to provide extra support for current priorities in education.

One example of a categorical program is the Home-to-School Transportation (Home-to-School) program, which is intended to help school districts provide transportation services to special education and regular education students. Under this program, school districts are required to provide student transportation cost data to Education. As required by the law, Education determines annual allocations for school districts based on the lesser of their previous year's Home-to-School program allocations and reported transportation expenditures. Education provides the approved allocations to school districts in 10 monthly payments in the current year and a deferred payment in the following year.

California has long provided state funding to school districts for student transportation. Before 1984, a law formally prescribed allocations for transportation to elementary and high school districts. Legislation passed in 1983 required that Education allocate the Home-to-School program funds based on the same amount as the school district's prior year's allocation, increased by the amount provided in the budget act, if its approved cost for that year was at least 95 percent of its Home-to-School program allocation for the same year. Otherwise, this legislation required that Education allocate an amount equal to the school district's certified percentage of the prior year's transportation costs plus 5 percent, the sum increased by the amount provided in the budget act.

Legislation enacted in 1991 amended previous laws and created the current funding formula. This legislation required that, beginning with fiscal year 1993–94, each school district receive a student transportation allowance equal to the lesser of its prior year Home-to-School program allocation or actual approved transportation expenditures from that year, increased by the growth in average daily attendance rate and cost-of-living adjustments as specified in the budget act. This legislation also required Education to determine separately the allocation to each school district for regular education transportation and for special education transportation.¹ The Legislature appropriated \$487 million in fiscal year 2004–05 and \$511 million in fiscal year 2005–06 for the Home-to-School program. In accordance with the budget act, Education recently began deferring a small portion of the annual allocation until the following fiscal year.

TOTAL COST OF STUDENT TRANSPORTATION

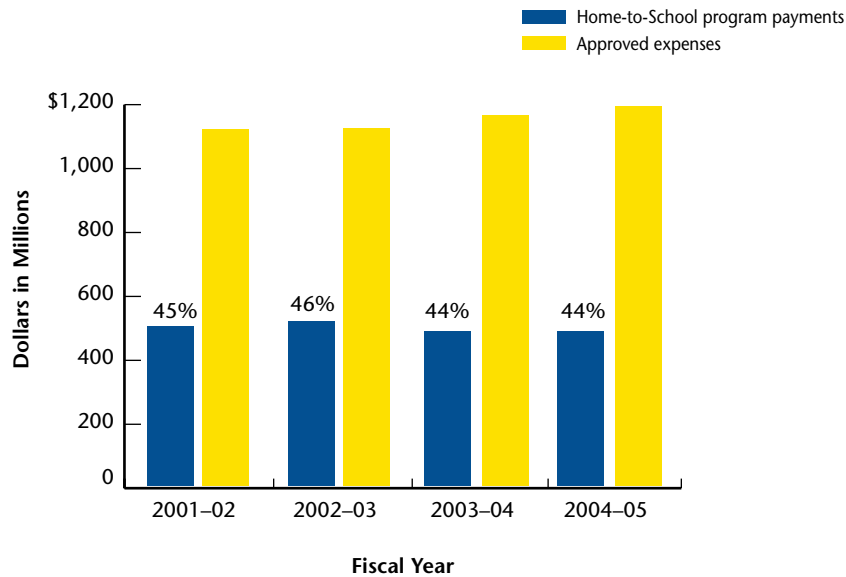
As Figure 1 shows, school districts generally incurred more total transportation costs than Education provided through Home-to-School program funds during the fiscal year. As a result, most school districts paid a significant portion of their transportation expenditures with other funding sources. The budget act and various state laws allow school districts to use funds from some categorical programs to pay for transportation costs. However, the school districts face some limitation when using these funds. For example, the fiscal year 2004–05 budget act did not allow

¹ The law defines special education transportation as either the transportation of severely handicapped special day class pupils and orthopedically handicapped pupils who require a vehicle with a wheelchair lift that received transportation in the prior fiscal year, as specified in their individualized education program, or a vehicle that is used to transport special education pupils.

a school district to use combined funds from some categorical programs to pay for transportation costs exceeding 115 percent of its Home-to-School program allocation. As a result, most school districts also use money from their general fund to pay for transportation costs not covered by Home-to-School program funds. Some school districts also charge fees for transportation.

FIGURE 1

Home-to-School Program Payments to School Districts and Approved Expenses From Fiscal Years 2001–02 Through 2004–05



Source: Data obtained from the Department of Education (unaudited).

A 2003 study published by the Surface Transportation Policy Project, a national coalition whose goal is to ensure safer communities and smarter transportation choices through policy recommendations, noted that California has the nation's lowest rate of school bus ridership. According to the study, although the number of students riding the school bus has increased slightly in recent years, it made up just more than 16 percent of California's public school students in 2001, down from 23 percent in 1985. The study attributed this decline in ridership in part to a lack of funding. It also noted that, because school districts are not required to provide bus service for all students, some have opted to shrink or freeze bus services due to financial constraints.

SCOPE AND METHODOLOGY

The Joint Legislative Audit Committee (audit committee) requested that the Bureau of State Audits (bureau) review Education's disbursement of Home-to-School program funds to identify any inequities. Specifically, we were asked to review the funding formula that Education uses to determine Home-to-School program payments to school districts. The audit committee also asked us to determine how the program is funded and what roles Education and school districts have in determining the funding levels. In addition, we were asked to compare data related to the number and percentage of students receiving transportation services, amount paid for the Home-to-School program in total and per student, actual cost of transporting students in total and per student, and the excess cost over Home-to-School program payments by school district and region for both regular and special education students to determine if and why variances exist. Further, the audit committee asked that we determine how school districts fund the difference between what is paid to them by Education and their actual cost, and evaluate, to the extent possible, whether this practice affects other programs.

Additionally, the audit committee asked us to identify the number of teachers and administrators at each school district and determine, to the extent possible, whether any correlations exist between higher transportation costs and staffing levels. The audit committee also asked that we determine the extent to which Education and school districts collect data regarding students' walking distances to and from school and whether any regulations or laws exist regarding safe walking distances in California.

To identify the funding structure and roles of Education and school districts in determining funding for the program, we interviewed Education staff and reviewed applicable laws and regulations. We also reviewed the process that Education uses to allocate funds for the Home-to-School program and determined that it followed the legal requirements for allocating the funds. We recalculated the fiscal year 2004–05 allocations for a sample of school districts and determined that Education appropriately followed its process.

To determine transportation expenditures for school districts, we obtained the expenditure data that Education receives from school districts and maintains in its Standardized Accounting Code Structure database. To identify the amount

of Home-to-School program funds Education paid to school districts during fiscal year 2004–05, we obtained all payment schedules Education prepared in fiscal year 2004–05. Specifically, Education provided 10 monthly Home-to-School program payments to school districts for their fiscal year 2004–05 allocations and an additional payment for the deferral of their fiscal year 2003–04 allocations. We also obtained data related to the student enrollment and staffing levels for school districts from Education’s California Basic Educational Data Systems and the Academic Performance Index (API) scores data from Education’s Web site. Further, we used the latest census data that Education received from the U.S. Census Bureau and published on its Web site.

Definitions of Data Reliability

Sufficiently Reliable Data: Based on audit work, an auditor can conclude that using the data would not weaken the analysis nor lead to an incorrect or unintentional message.

Not Sufficiently Reliable Data: Based on audit work, an auditor can conclude that using the data would most likely lead to an incorrect or unintentional message and the data have significant or potentially significant limitations, given the research question and intended use of the data.

Data of Undetermined Reliability: Based on audit work, an auditor can conclude that use of the data could lead to an incorrect or unintentional message and the data have significant or potentially significant limitations, given the research question and intended use of the data.

Source: *Assessing the Reliability of Computer-Processed Data* from the U.S. Government Accountability Office.

The U.S. Government Accountability Office requires us to assess the reliability of computer-processed data. We found that with the exception of the data related to staffing levels, all other data we used were of undetermined reliability. (See the text box for the definitions of data reliability.) We considered the data to be of undetermined reliability because, although we found that data we obtained from Education were generally consistent with data submitted by school districts, we did not audit the school districts’ data because it was beyond the scope of our audit. However, we did take these steps for the data used in the audit:

- We verified that Education’s data related to the number of students transported agreed with the data that a sample of 29 school districts provided.
- We verified that Education’s data related to school districts’ student transportation expenditures agreed with the data that a sample of 29 school districts provided.
- We used school district API scores and census data as posted on Education’s Web site. However, it was not within the scope of this audit to recalculate Education’s API scores for each school district; nor was it within our statutory authority to audit the census data.

Although we did not audit the transactions underlying the data, the analyses in our report are based on the best data that were available to respond to the audit request.

We determined that the data we received from Education related to school districts' staffing levels were not sufficiently reliable for the purpose of determining the correlation between the amount of funds school districts used from non-Home-to-School program sources and staffing levels as the audit committee requested. Specifically, Education informed us that a flaw in its software caused duplication in the count of some full-time equivalent positions. Education noted that it took some steps to correct the errors in its data before providing them to us. However, it did not indicate the extent of the uncorrected errors. To mitigate the effect of the duplication error identified by Education, we adjusted all instances where Education's records showed more than 1.5 full-time equivalent positions for any one individual to 1.5 to reflect a more reasonable expectation of the workload of any one individual. However, the effect on our analysis resulting from any errors in the data after we made adjustments is undetermined.

To present the transportation data by urban and rural school districts, we classified all school districts in California as urban, rural, mixed, or undetermined using the census data. Although the Census Bureau did not classify school districts as urban or rural, it provided such classifications for individual schools based on each school's locale. We classified a school district as urban, rural, mixed, or undetermined based on the number of urban and rural schools within it. We explain this classification in more detail in Appendix A. Further, to provide transportation cost data by regions, we used the 14 regions defined by the California Postsecondary Education Commission. We present this data in Appendix B of this report. All transportation-related data by urban, rural, mixed, and undetermined school districts are available upon request as a supplement to this report.

To determine why variances in Home-to-School program payments exist, we interviewed staff at Education and reviewed the laws related to the Home-to-School program. To determine why variances in costs exist, we selected six pairs of school districts that had different transportation costs but transported a similar number of students using about the same number of buses. We identified the reasons for cost differences by reviewing the detailed cost data these school districts provided to Education and by interviewing the school districts' personnel.

To determine whether any correlations exist between transportation costs the school districts paid from other state and local funding sources during fiscal year 2004–05 and

their staffing levels, we identified the combined total number of teachers, pupil services staff, and administrators for each school district. We then performed a statistical analysis to determine the rate staffing levels changed compared with the rate of change in transportation costs the school districts paid from non-Home-to-School program sources per student. To identify any correlation between transportation costs paid from non-Home-to-School program sources and student test scores, we performed a statistical analysis to determine the rate of change in API scores compared with the rate of change in transportation costs per student paid from non-Home-to-School program sources.

According to Education’s data, California had 1,053 school districts in fiscal year 2004–05. However, the data and analyses we present in this report include fewer school districts for various reasons. For example, as Table 1 shows, we excluded 163 school districts when determining the average amount school districts paid from non-Home-to-School program sources because these school districts did not receive Home-to-School program funds during fiscal year 2004–05 or did not report transportation-related data. Therefore, our analyses of the transportation costs, Home-to-School program payments, and payments from non-Home-to-School program sources included 890 school districts.

TABLE 1

Number of School Districts Excluded From Our Analyses and Reasons for Exclusion

Number of school districts in existence during fiscal year 2004–05		1,053
Districts that did not receive Home-to-School program funding	120	
Districts that were a part of a Joint Powers Authority	40	
Districts that were reorganized	3	
Districts excluded from transportation cost calculations		(163)
Districts included in transportation cost calculations		890
County offices of education	41	
Districts that did not report student transportation data	16	
Districts with no API scores	8	
Districts excluded from correlation analyses		(65)
Districts included in correlation analyses		825

Source: Data obtained from the Department of Education.

Further, as shown previously in Table 1, we excluded an additional 65 school districts and county offices of education when determining correlations between the payment from non-Home-to-School program sources and staffing levels or student test scores. For instance, we excluded 41 county offices of education, which primarily serve special education students who typically require a higher teacher to student ratio and have lower test scores compared with others, to ensure comparable correlation analyses. Further, eight school districts did not have API scores because they have small student populations. According to Education, it does not assign API scores to school districts with fewer than 11 standardized test scores. Lastly, we excluded 16 school districts that did not report any students being transported, making it impossible to determine the transportation cost per student these school districts paid from non-Home-to-School program sources. Consequently, our analyses of correlations between the amount used from non-Home-to-School program sources and staffing levels and student test scores included only 825 school districts.

To identify the monetary impact on other programs, we reviewed the data available at Education. It did not have complete data related to other sources of funds the school districts used to pay for the cost of transportation, so we surveyed 100 school districts. We also reviewed the laws and regulations and determined that they allow funds available in the programs the school districts noted in their responses to our survey to be used for transportation.

We found no laws, regulations, or studies that identify safe walking distances. We queried Education staff to identify studies on walking distances and their impact on students' test scores. In addition, we included in our survey questions about student walking distances and determined that neither Education nor the school districts collect data on the distances students walk to school. Further, Education and the school districts have not performed any studies on the effect of walking distances on student test scores.

Lastly, as shown in Table 1, we found 120 school districts that did not directly receive Home-to-School program funds during fiscal year 2004–05. We surveyed 40 randomly selected school districts from this group to determine whether they provided transportation services. Based on the responses, we spoke with Education staff to understand why these school districts did not receive Home-to-School program funds. ■

AUDIT RESULTS

THE PRESCRIBED FORMULA DOES NOT ALLOW SOME SCHOOL DISTRICTS TO RECEIVE TRANSPORTATION FUNDING

Home-to-School Transportation (Home-to-School) program funding is contingent upon receiving funds for this program in the immediately preceding fiscal year. Consequently, some school districts and county offices of education (school districts) are not eligible to receive these funds. Current laws require that the Department of Education (Education) allocate Home-to-School program funds to each school district based on the lesser of its prior year's allocation or approved cost of providing transportation services, increased by the amount specified in the budget act. School districts that did not previously receive Home-to-School program allocations for special education transportation, regular education transportation, or both, are not eligible to receive these allocations under the current laws. Furthermore, some school districts have experienced dramatic increases in student population over the years. Although the funding method provides for some adjustments for the increase in statewide average daily attendance, the allocations have not always increased at the same rate as the increase in student population at individual school districts.

In 1991 the Legislature recognized that the funding method prescribed by the existing laws did not account for changes in school districts' costs of operating student transportation programs; nor did it provide additional funding for increasing numbers of special education students that school districts were required to transport. As a result, it amended the laws to resolve some of these inequities. Effective in fiscal year 1992–93, the amendments required Education to determine separately Home-to-School program allocations for special education and regular education transportation. The amended legislation also required Education to determine allocations for special education and regular education based on the lesser of school districts' prior year's Home-to-School program allocations or their actual approved transportation expenditures, increased by the amount provided in the fiscal year 1993–94 Budget Act and each year thereafter.

Eight of the 38 school districts responding to our survey that were not eligible to receive Home-to-School program funds reported that they incurred \$3,250 to \$160,000 in costs for student transportation during fiscal year 2004–05, which they paid entirely from other funding sources.

Education's records show that 120 school districts did not directly receive state Home-to-School program funds during fiscal year 2004–05. We surveyed 40 of these school districts and found that 19 of the 38 school districts that responded did not provide any transportation services during that year and did not incur any expenses for student transportation. Another school district noted that it recently reorganized and changed its name. Its superintendent noted that the school district received the Home-to-School program funds under its previous name during fiscal year 2004–05. However, eight school districts reported that they incurred \$3,250 to \$160,000 in costs for student transportation during fiscal year 2004–05, which they paid entirely from funding sources such as their general and other categorical funds. According to an administrator in Education's School Fiscal Services Division (fiscal services), these school districts were not eligible to receive Home-to-School program funds in fiscal year 2004–05 because they were not funded in the prior fiscal year. Although two of these eight school districts received Home-to-School program funds in the past, Education noted that they reported zero transportation expenditures during one of the fiscal years and became ineligible to receive the funds in subsequent years.

The remaining 10 school districts responding to our survey reported that they were part of a Joint Powers Authority (JPA) that received the Home-to-School program payments from Education. According to an administrator in Education's fiscal services, a JPA consists of multiple neighboring school districts that pool their resources to provide various services and save money by reducing duplicate services. The administrator noted that a school district might negotiate with the existing members of a JPA to become a member. However, the Home-to-School program allocation for the JPA would not increase if the school district did not receive Home-to-School program funds from Education in the year immediately preceding the year it joined the JPA. Nevertheless, the school district might negotiate with the JPA to share the Home-to-School program funds the JPA receives. According to Education and the school districts, these 10 school districts received Home-to-School program funds in the year immediately preceding the year they joined the JPA.

In addition, 80 school districts provided both special education and regular education transportation; however, they received Home-to-School program funding for only one program. For example, Dry Creek Joint Elementary School District (Dry Creek) reported transporting 26 special education students

and 494 regular education students during fiscal year 2004–05. Although this school district received Home-to-School program payments of \$57,212 for its regular education transportation program, it did not receive any Home-to-School program funds to help offset the \$156,957 it incurred for its special education transportation program. Instead, it used funds available in its general fund. According to this school district’s director of fiscal services, Dry Creek did not receive Home-to-School program funds for special education in the immediately preceding fiscal year. Consequently, it was not eligible to receive Home-to-School program funds.

Annual increases in Home-to-School program allocations have not kept pace with student population growth at some school districts.

Finally, some school districts’ Home-to-School program allocations have not kept pace with the increases in their transportation expenditures. Although the budget act provides for annual increases in Home-to-School program allocations for all school districts at the same rate to adjust for increases in school districts’ costs due to statewide increases in average daily attendance, these increases have not always been sufficient to keep pace with the student population growth at some school districts. As a result, some school districts receive Home-to-School program payments that cover most of their student transportation expenses, and others receive very little.

For example, Roseville Joint Union High School District (Roseville) transported 961 students using 22 buses during fiscal year 2004–05. It incurred more than \$1.2 million in student transportation costs during that year and received Home-to-School program payments of only \$236,160 from the State, which covered 19.6 percent of its expenditures. It had to use other funds to pay more than \$967,000, or \$1,006 per student it transported during the year. Mountain Empire Unified School District (Mountain Empire), which is designated as a rural school district, transported a similar number of students, using about the same number of buses as Roseville, and incurred a cost of \$1.08 million. However, it received Home-to-School program payments of \$846,552 to cover 78 percent of its expenditures. Consequently, it had to use other funds to pay for only \$245 of the per student transportation cost during the year.

The difference in Home-to-School program payments between the two school districts could be due to the differing growth rates in their student populations over the years. According to an official at Roseville, its total student enrollment almost doubled from 4,328 in fiscal year 1992–93 to 8,387 in fiscal

year 2004–05. Conversely, Mountain Empire’s total student enrollment decreased from 2,133 in fiscal year 1992–93 to 1,833 in fiscal year 2004–05.

URBAN SCHOOL DISTRICTS GENERALLY HAD HIGHER OVERALL TRANSPORTATION COSTS PER STUDENT AND LOWER HOME-TO-SCHOOL PROGRAM PAYMENTS PER STUDENT THAN RURAL SCHOOL DISTRICTS

Urban school districts typically incurred higher overall transportation costs per student and received lower Home-to-School program payments per student than rural school districts. As would be expected, urban school districts served a larger percentage of students transported in the State than rural school districts. However, they did not receive a proportionate amount of Home-to-School program funds per student from the State. In addition, urban school districts reported significantly higher overall costs to transport students than rural school districts. Consequently, as shown in Table 2, urban school districts usually used other funding sources to pay for a greater portion of their overall costs to transport students than did rural school districts. (Refer to Appendix B for a regional breakdown of per-student Home-to-School program payments and the transportation costs paid from other funding sources.)

During fiscal year 2004–05, school districts provided transportation services to almost 900,000 students statewide. As Table 2 shows, urban school districts transported almost 84 percent of these students and rural school districts transported 10 percent; the remaining students were enrolled in school districts that could not be classified as urban or rural.² Although urban school districts on average received higher overall Home-to-School program payments than rural school districts, their Home-to-School program payments per student transported were generally lower than that of rural school districts. For example, urban school districts received an average Home-to-School program payment of \$849,474 during fiscal year 2004–05, while rural school districts received an average of \$167,619. But because urban school districts transported substantially more students than the rural districts did, urban school districts received an average of \$559 for transporting each student, while rural school districts received \$609. However, as we noted in the scope and methodology section of this report, although we determined that the data we obtained from

² We explain the school district classifications further in Appendix A.

Education agreed with the data that school districts provided, we did not perform a detailed audit of school districts' records because it was not within the scope of our audit. Therefore, the transportation data provided by the school districts are of undetermined reliability.

TABLE 2

Urban School District's Versus Rural School District's Total Home-to-School Program Payments Per Student Transported in Fiscal Year 2004–05

	Urban School Districts	Rural School Districts
Total number of students transported	747,731	88,396
Percent of total students transported	83.9%	9.9%
Total Home-to-School program payments	\$ 417,941,141	\$53,805,631
Average Home-to-School program payments per student transported	559	609
Total transportation costs	1,037,067,006	80,207,806
Average transportation cost per student transported	1,387	907
Total non-Home-to-School program funds used	619,125,865	26,402,175
Average non-Home-to-School program funds used per student transported	828	298

Source: Department of Education's (Education) Standardized Accounting Code Structure database.

Note: As we mentioned in the scope and methodology section of this report, although we determined that the data we obtained from Education agreed with the data that school districts provided, we did not perform a detailed audit of school districts' records because it was not within the scope of our audit. Therefore, these data are of undetermined reliability.

The difference in the Home-to-School program payments was even more noticeable when we analyzed the transportation costs for regular education students separately. As previously discussed, state laws require Education to allocate Home-to-School program funds separately to school districts to pay the costs of transporting regular education students and special education students. Although the urban school districts received less payment per student for both regular education and special education transportation, their share of the Home-to-School program payments was significantly less for each regular education student transported compared with that of rural school districts. According to Education's data, of the 900,000 students transported statewide during fiscal year 2004–05, 802,000 were regular education students, and 83 percent of them were transported by urban school districts. However, on

On average, urban school districts received about \$200 less per regular education student in Home-to-School program payments than rural school districts.

average the urban school districts received about \$200 less per regular education student transported than rural school districts received.

In addition, most urban school districts reported significantly higher overall per-student transportation costs. As shown previously in Table 2, the average overall transportation cost per student for the urban school districts was \$1,387 in fiscal year 2004–05. Conversely, rural school districts incurred average overall transportation costs of \$907 per student transported. Not surprisingly, most urban school districts needed to use other funding sources to pay a higher portion of their transportation costs than did rural school districts. Urban school districts paid from other funding sources an overall average of \$828 (60 percent) of their per student transportation expenditures while rural school districts used other funding sources to pay an average of \$298 per student (33 percent). Table 3 shows that 33 percent of school districts that used \$200 or less of non-Home-to-School program funds to pay for transportation costs per student were urban school districts. On the other hand, urban school districts made up a vast majority of school districts that used non-Home-to-School program funds to pay more than \$200 per student in transportation costs.

TABLE 3

More Urban Than Rural School Districts Used Large Amounts of Non-Home-to-School Program Funds Per Student Transported to Pay for Transportation

District Type	\$200 or Less	Between \$201 and \$800	More Than \$800
Urban	68 (33%)	212 (60%)	212 (84%)
Rural	139 (67%)	142 (40%)	40 (16%)
Total urban and rural school districts	207	354	252

Source: Department of Education’s (Education) Standardized Accounting Code Structure database.

Note: As we mentioned in the scope and methodology section of this report, although we determined that the data we obtained from Education agreed with the data that school districts provided, we did not perform a detailed audit of school districts’ records because it was not within the scope of our audit. Therefore, these data are of undetermined reliability.

RURAL SCHOOL DISTRICTS USED MORE FUNDS FROM OTHER SOURCES TO PAY FOR TRANSPORTATION FOR EACH SPECIAL EDUCATION STUDENT

Most school districts reported a significantly higher per-student cost for transporting special education students than regular education students. However, the per-student cost rural school districts incurred for special education transportation was much higher than that of urban school districts. Further, the slightly higher average Home-to-School program payments per special education student transported that rural school districts received during fiscal year 2004–05 did not compensate for their higher actual per-student costs for providing the service. As a result, rural school districts used other funding sources to pay for more transportation expenditures for transporting each special education student than urban school districts did.

Although state laws do not require school districts to provide transportation services to all students, they do require school districts to provide such services to special education students with a transportation need specified in their individualized education program. Further, state law requires Education to calculate the special education transportation allocation separately. As we noted earlier, state law defines special education transportation as the transportation of severely disabled special day class students and orthopedically impaired students who require a vehicle with a wheelchair lift, or a vehicle used to transport such students. Therefore, school districts must have access to a specially equipped vehicle to transport severely handicapped students to and from their homes.

The average transportation cost for each special education student transported in fiscal year 2004–05 was \$4,793. The per-student transportation cost for regular education students averaged only \$941. Urban school districts averaged a total cost of \$1.2 million for special education transportation programs and rural school districts averaged a total cost of \$172,000. However, rural school districts provided special education transportation services to a significantly smaller population of students than the urban school districts did and, as shown in Table 4 on the following page, their average per-student cost for special education transportation was higher than that of urban school districts. Furthermore, as Table 4 illustrates, even though urban school districts had higher total costs,

rural school districts paid from other funding sources \$560 more per student than the urban school districts did for special education transportation.

TABLE 4
Comparison of Non-Home-to-School Program Funds Used Per Special Education Student Transported by Urban and Rural School Districts in Fiscal Year 2004–05

District Type	Total Special Education Transportation Costs Per District	Cost Per Special Education Student Transported	Non-Home-to-School Program Amount Per Special Education Student Transported
Urban	\$1,205,000	\$4,728	\$2,649
Rural	172,000	5,315	3,209

Source: Department of Education’s (Education) Standardized Accounting Code Structure database.

Note: As we mentioned in the scope and methodology section of this report, although we determined that the data we obtained from Education agreed with the data that school districts provided, we did not perform a detailed audit of school districts’ records because it was not within the scope of our audit. Therefore, these data are of undetermined reliability.

VARIOUS FACTORS ACCOUNT FOR THE DIFFERENCES IN TRANSPORTATION COSTS

Transportation costs differed even among similar school districts due to various factors. Some school districts had higher costs associated with salaries and benefits or equipment maintenance related to their transportation programs. Further, some school districts incurred large infrequent costs, such as the acquisition of new buses, which inflated their total transportation costs during fiscal year 2004–05. Differences in transportation costs, combined with the varying Home-to-School program payments provided to each school district, affected the amount of non-Home-to-School program funds school districts had to use.

We reviewed six pairs of school districts that transported a similar number of students and used about the same number of buses, yet had different total expenditures. The differences were due in part to salary variations or equipment lease and maintenance costs. For example, during fiscal year 2004–05, Bitterwater-Tully Union Elementary School District (Bitterwater) and Lagunita Elementary School District (Lagunita) each

used one bus—the first to transport 14 students and the other to transport 15 students. However, Bitterwater’s salary expenditures allocated to the transportation program were more than twice those of Lagunita. Further, Bitterwater spent almost \$10,000 more on equipment lease and maintenance costs than did Lagunita.

Some school districts incurred certain infrequent but significant costs, such as purchasing a new bus, that increased their total transportation expenditures during fiscal year 2004–05 when compared with other years.

Some school districts incurred certain infrequent but significant costs that increased their total transportation expenditures during fiscal year 2004–05 when compared with other years. For example, Douglas City Elementary School District (Douglas) and San Antonio Union Elementary School District (San Antonio) each transported about 120 students using two buses during fiscal year 2004–05. However, Douglas, a rural school district, reported \$165,000 in student transportation costs, \$92,000 more than San Antonio, an urban school district. More than \$73,000 (79 percent) of this difference went toward the purchase of a new bus for Douglas, causing its transportation costs to be unusually high that year. In fact, according to information provided by Douglas, its fiscal year 2005–06 transportation costs were \$70,000 less than the previous year and were closer to the \$82,000 that San Antonio reported for its fiscal year 2005–06 transportation costs.

NO CORRELATION EXISTS BETWEEN THE AMOUNT USED FROM OTHER FUNDING SOURCES AND STAFFING LEVELS OR STUDENT TEST SCORES

School districts’ staffing levels and students’ test scores did not change in tandem with the cost of transportation they paid from other sources per student transported. Specifically, the amount of the non-Home-to-School program funding school districts used to pay for transportation costs had virtually no correlation to staffing levels. Moreover, although some school districts noted that using funds from non-Home-to-School program sources affected their ability to provide other services, we found no discernible correlation between the non-Home-to-School program funds used per student transported and student test scores. In fact, the test scores actually increased slightly from one school district to another as the school district’s amount of non-Home-to-School program funding used to pay for transportation costs increased.

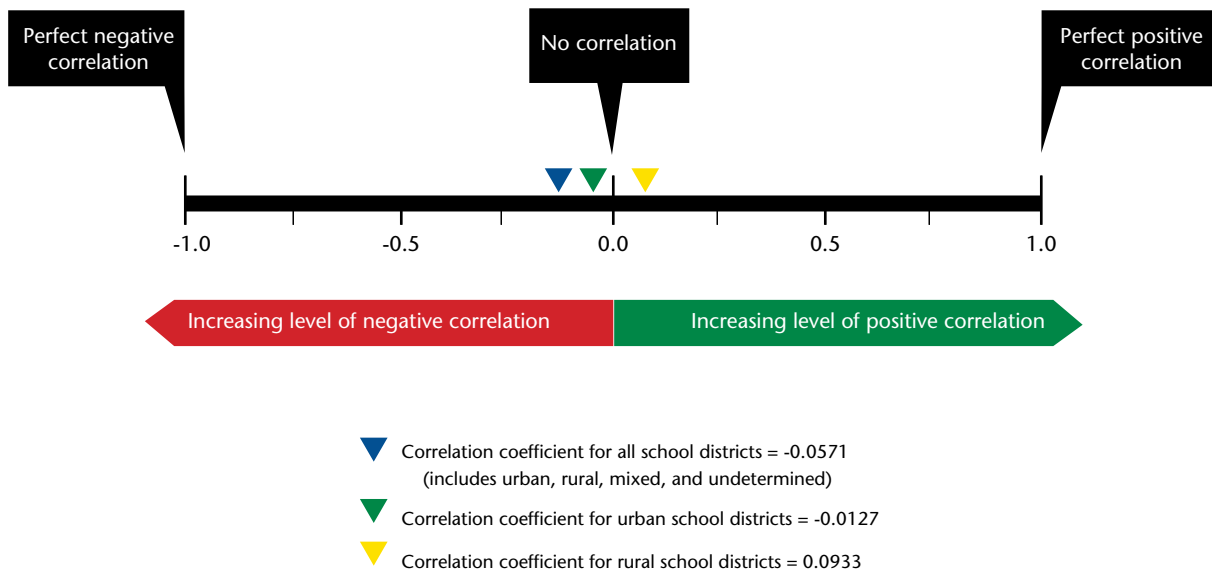
A statistical correlation, expressed as a numeric coefficient, shows the extent to which one variable increases or decreases in relation to another. However, a correlation does not necessarily mean that one variable caused the other

variable to change. Correlation coefficients can range in value from -1.0 to 1.0. A correlation coefficient of 0 indicates no relationship between the two variables, and a value of -1.0 or 1.0 indicates a perfect negative or positive correlation, respectively. A positive coefficient indicates that one variable increases with an increase in the other variable, while a negative coefficient denotes a decrease in one variable with an increase in the other. In the case of a perfect correlation, one variable would increase or decrease at the same rate as the other variable.

We compared the number of full-time equivalent teachers, administrators, and student services staff that each school district reported to Education for fiscal year 2004–05 to the average amount of the transportation expenditures it had to pay from non-Home-to-School program funds during the same year for each student transported to determine a statistical correlation. Figure 2 shows virtually no correlation between

FIGURE 2

School Districts’ Transportation Payments From Non-Home-to-School Program Funds Per Student Transported Compared With Staffing Levels



Source: Data obtained from the Department of Education (Education).

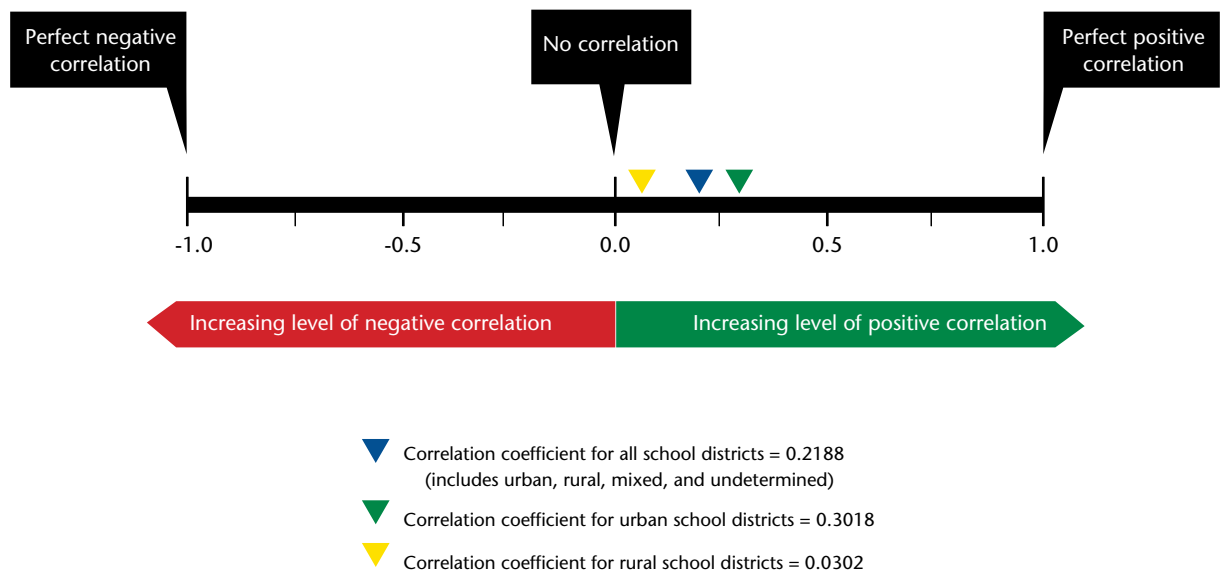
Note: As we mentioned in the scope and methodology section of this report, although we determined that the transportation-related data we obtained from Education agreed with the data that school districts provided, we did not perform a detailed audit of school districts’ records because it was not within the scope of our audit. Therefore, these data are of undetermined reliability. Further, the data we obtained from Education related to full-time equivalent positions were not sufficiently reliable for the purpose of determining the correlation between school districts’ transportation payments from non-Home-to-School program funds and staffing levels. Therefore, we took steps to mitigate the effect of the data errors on our analysis. However, the effect on our analysis resulting from any errors in the data after we made adjustments is undetermined.

the two variables. In other words, the amount of non-Home-to-School program funds used by a school district to pay for its transportation program does not appear to have a direct relationship to staffing levels. However, as we discussed in the scope and methodology section of this report, because of a flaw in Education’s database software, the data related to the full-time equivalent positions used for this analysis contained some errors. We took appropriate action to mitigate the effect of noticeable errors. However, the effect on our analysis resulting from any errors in the data after we made adjustments is undetermined.

Similarly, we compared each school district’s Academic Performance Index (API) scores computed by Education for fiscal year 2004–05 to the average amount of per-student transportation expenditure the school district paid from non-Home-to-School program sources to determine whether any

FIGURE 3

School Districts’ Transportation Payments From Non-Home-to-School Program Funds Per Student Transported Compared With District API Scores



Source: Data obtained from the Department of Education (Education).

Note: As we mentioned in the scope and methodology section of this report, although we determined that the data we obtained from Education agreed with the data that school districts provided, we did not perform a detailed audit of school districts’ records because it was not within the scope of our audit. It was also beyond the scope of our audit to recalculate the API scores for school districts as reported by Education. Therefore, these data are of undetermined reliability.

statistical correlation existed. The API score summarizes the results of various statewide tests and is an indicator of a school's academic performance level. We found a very small correlation between the two. As shown previously in Figure 3, the correlation coefficient for the API scores and the amount used from non-Home-to-School program sources per student transported during fiscal year 2004–05 was 0.2188 for all school districts, meaning that as a school district's per-student transportation payment from non-Home-to-School program sources increased, its API scores also increased slightly. Put another way, based on the correlation coefficient, school districts with higher per-student transportation payments from non-Home-to-School program sources appear to have slightly higher API scores than those with lower per-student payment from non-Home-to-School program sources.

MOST SCHOOL DISTRICTS REPORTED A NEGATIVE FISCAL IMPACT ON OTHER EDUCATION PROGRAMS FROM USING NON-HOME-TO-SCHOOL PROGRAM FUNDING TO PAY FOR TRANSPORTATION COSTS

While the staffing levels and students' test scores did not bear a strong correlation to the amount of transportation expenditures the school districts paid from non-Home-to-School program funding sources, most school districts reported a negative fiscal impact on other education programs. School districts that provided transportation services typically paid for some of the costs with funds from their general and categorical program funds. The responses from 73 of the 98 school districts responding to our survey of 100 school districts indicated that their general fund or categorical programs were affected adversely as a result of the need to pay for their student transportation costs from those sources. The amount of general and categorical funds the school districts used varied greatly.

School districts that received state payments for the Home-to-School program used other funds to pay from zero to \$78 million of their total transportation expenditures during fiscal year 2004–05. As Table 5 shows, school districts paid for these costs primarily from their general fund allocations. On average, rural school districts paid 18.2 percent and urban school districts paid 30.9 percent of their transportation costs from their general funds.

TABLE 5

Sources Used to Cover Student Transportation Costs During Fiscal Year 2004–05

Source	Urban School Districts	Percent of Total Cost	Rural School Districts	Percent of Total Cost
State apportionments*	\$ 417,941,141	40.3%	\$53,805,631	67.1%
General funds†	320,590,166	30.9	14,605,391	18.2
Categorical funds‡	22,257,019	2.1	391,931	0.5
Fees§	19,922,157	1.9	528,279	0.7
Other	256,356,521	24.7	10,876,570	13.6
Total costs#	\$1,037,067,004		\$80,207,802	

Source: Department of Education’s (Education) Standardized Accounting Code Structure database.

Note: As we mentioned in the scope and methodology section of this report, although we determined that the data we obtained from Education agreed with the data that school districts provided, we did not perform a detailed audit of school districts’ records because it was not within the scope of our audit. Therefore, these data are of undetermined reliability.

* Home-to-School transportation payments to school districts by Education.

† Contributions from Unrestricted Revenues and Restricted Revenues (object codes 8980 and 8990) recorded in the Restricted and Unrestricted general funds (fund codes 01, 03, and 06) and used for Home-to-School transportation (resource codes 7230 and 7240).

‡ Categorical flexibility transfers per Budget Act Section 12.40 (object code 8998) recorded in the Restricted and Unrestricted general funds (fund codes 01, 03, and 06) and used for Home-to-School transportation (resource codes 7230 and 7240). These figures represent the categorical program funds that school districts transferred to their student transportation accounts. They do not include categorical program funds that school districts used to pay for their transportation expenses without first transferring them to the student transportation account. The direct payments from the categorical program funds are presented as part of “Other.”

§ Fees from individuals (object 8675) recorded in the Restricted and Unrestricted general funds (fund codes 01, 03, and 06) and used for Home-to-School transportation (resource codes 7230 and 7240).

|| The difference between all costs charged to Home-to-School transportation and itemized funding sources. The Targeted Instructional Improvement Grant program was the largest source of funds for this category.

All costs charged to Home-to-School transportation (resource codes 7230 and 7240).

Almost all school districts used some general fund money to pay for a portion of their total student transportation expenditures. As previously discussed, the amount of general fund money used varied significantly, as did its impact on school districts’ ability to fund other services. Of the 98 school districts that responded to our survey, 77 indicated they used some general fund money for this purpose. Most school districts indicated a reduction in their ability to provide other services normally paid for with general fund money. For example, Pope Valley Union Elementary School District, a rural school district with 57 students transported during fiscal year 2004–05, paid \$18,373 of its transportation expenditures from the general fund. The school district’s business

manager indicated that this represented its single-largest general fund expenditure after salaries and benefits. Placentia-Yorba Linda Unified School District, which transported more than 2,500 students in fiscal year 2004–05, used \$2.9 million of its general fund money to pay for the transportation program. According to the school district’s director of transportation, this expenditure decreased the amount that could be spent directly on education programs by \$100 per student. Only six of the 77 school districts indicated that they experienced no measurable effect on other services.

In addition to using their general funds, many school districts used funds available in their categorical programs. Historically, categorical programs have been designed to remedy inequities among student populations; to ensure that all students, especially those who need the most assistance, are served; and to provide extra support for current priorities in education. As we describe in more detail in Appendix C, 15 of the 49 school districts that responded to our survey were rural and used other categorical program funds to pay an average of \$21,571 of their transportation costs and 22 of the 49 school districts that responded to our survey were urban and used other categorical program funds to pay an average of \$303,360 of their transportation costs during fiscal year 2004–05. For example, Santa Maria-Bonita School District, an urban school district, used more than \$93,000 from its Economic Impact Aid categorical program to pay for part of its student transportation services. An official from this school district noted that these funds could have been used to provide outreach coordinators and bilingual interpreters and classroom aides, among other things.

Mariposa County Unified School District, a rural district with less than 2,500 students, paid more than \$30,000 of its transportation costs using funds from six categorical programs, including the 10th Grade Counseling and the School Improvement Program.

Similarly, Mariposa County Unified School District, a rural school district with less than 2,500 students, paid more than \$30,000 of its transportation costs using funds from six categorical programs, including the 10th Grade Counseling and the School Improvement Program. The superintendent of this school district noted that this resulted in reductions in student services, teacher assistance, and instructional aides. Therefore, even though we found no correlation between the amount used from other funding sources and staffing levels or student test scores, school district officials noted that their ability to provide other services was affected because their school districts had to use other categorical program funds.

Although both urban and rural school districts had to use other funding sources to pay for the cost of student transportation, 44 school districts received additional funds from Education under the Small School District Bus Replacement program.³ This program is designed specifically to help school districts that have an average daily attendance of 2,501 or less pay for a new school bus or to upgrade existing school buses to meet federal safety standards. During fiscal year 2004–05, these 44 school districts received a total of \$3.2 million in Small School District Bus Replacement program funds.³ Consequently, these school districts did not have to spend as much from general funds and other categorical funds to pay transportation expenses.

According to representatives from five school districts, their school districts used \$3.3 million to \$78 million of Instructional Improvement Grant funds to pay for eligible student transportation costs.

Similarly, 68 school districts received state funds for the Targeted Instructional Improvement Grant program (Instructional Improvement Grant)³ that allowed them to pay for some of their transportation expenditures during fiscal year 2004–05. Specifically, during fiscal year 2004–05, Education provided more than \$700 million through the Instructional Improvement Grant to 68 school districts³—65 urban school districts, one rural school district, and two school districts that could not be classified as urban or rural. The purpose of this categorical program was to provide funding to school districts for court-ordered desegregation and for providing instructional improvement for the lowest achieving students. We contacted five of these 68 school districts to determine how much of these funds were used for transportation costs. According to these school districts’ representatives, the school districts used \$3.3 million to \$78 million of their Instructional Improvement Grant funds to pay for eligible student transportation costs. As a result, these five school districts spent less from their general funds and other categorical programs on transportation payments.

Although the other school districts did not have access to Instructional Improvement Grant funds in fiscal year 2004–05, new state laws now provide these funds to more school districts. Beginning in fiscal year 2005–06, state laws combined the Instructional Improvement Grant program and the Supplemental Grant program into the Targeted Instructional Improvement Block Grant. This new program provides funding to school districts that received the Instructional Improvement Grant or Supplemental Grant before January 2005 and allows them to use these funds for transportation expenditures without limitation if school districts are not in violation of court orders regarding desegregation. As a result, more school districts have

³ Based on unaudited data obtained from Education’s Web site.

access to additional state funds that can help offset some of their transportation costs. The budget for the Targeted Instructional Improvement Block Grant for fiscal year 2006–07 was almost \$934 million.

RECOMMENDATIONS

To determine the fiscal impact on school districts that do not receive the Home-to-School program funds, Education should:

- Identify all school districts that provide transportation services to their students but are not eligible to receive state funds for the Home-to-School program from Education for regular education transportation, special education transportation, or both.
- Determine the actual costs these school districts incur and the funding sources they use to pay them.

To ensure that all school districts can participate and receive state funds for the Home-to-School program to help defray some of the cost of providing transportation services to students, Education should seek legislation to revise the current laws to ensure that all school districts that provide transportation services to regular education, special education, or both are eligible for funding.

To ensure that school districts are funded equitably for the Home-to-School program, Education should seek legislation to revise the law to ensure that funding is flexible enough to account for changes that affect school districts' transportation programs, such as large increases in enrollment.

We conducted this review under the authority vested in the California State Auditor by Section 8543 et seq. of the California Government Code and according to generally accepted government auditing standards. We limited our review to those areas specified in the audit scope section of this report.

Respectfully submitted,

A handwritten signature in black ink that reads "Elaine M. Howle". The signature is written in a cursive, flowing style.

ELAINE M. HOWLE
State Auditor

Date: March 15, 2007

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APPENDIX A

Process for Classifying School Districts as Urban, Rural, Mixed, or Undetermined

The Joint Legislative Audit Committee was concerned about any negative impacts the Home-to-School Transportation (Home-to-School) program’s funding model might have on rural school districts or county offices of education (school districts). In order to determine whether the funding model was resulting in an inequitable allocation of the Home-to-School program funds to rural school districts, we first had to classify each school district as urban, rural, mixed, or undetermined using the latest census data the Department of Education received from the U.S. Census Bureau (census bureau). Based on each school’s location, the census data classified individual schools into eight classifications that ranged from *large city* to *rural inside a metropolitan statistical area* (see text box). To simplify these classifications, we defined urban schools to be all schools classified by the census bureau as located in a *large city*, *mid-size city*, *urban fringe of a large city*, and *urban fringe of a mid-size city*. We defined rural schools to be those classified by the census bureau as located in a *large town*, *small town*, *rural outside a metropolitan statistical area*, and *rural inside a metropolitan statistical area*. The census bureau did not classify some schools due to lack of data. Therefore, we created an additional classification called “undetermined.”

To reduce the number of undetermined schools, we designated unclassified schools within a school district as urban or rural based on the ratio of urban and rural schools within the district if either one made up at least 60 percent of all schools. To designate each school district as urban, rural, mixed, or undetermined, we determined the percentage of urban, rural, and undetermined schools within it. We defined an urban school

The U.S. Census Bureau data classified the schools into eight categories:

1. **Large city:** A central city of a Consolidated Metropolitan Statistical Area (CMSA) with the city having a population greater than or equal to 250,000.
2. **Mid-size city:** A central city of a CMSA or Metropolitan Statistical Area (MSA), with the city having a population less than 250,000.
3. **Urban fringes of a large city:** Any incorporated place, census designated place, or non-place territory within a CMSA or MSA of a large city and defined as urban by the census bureau.
4. **Urban fringes of a mid-size city:** Any incorporated place, census designated place, or non-place territory within a CMSA or MSA of a mid-size city and defined as urban by the census bureau.
5. **Large town:** An incorporated place or census designated place with a population greater than or equal to 25,000 and located inside a CMSA or MSA.
6. **Small town:** An incorporated place or census designated place with a population less than 25,000 and located outside a CMSA or MSA.
7. **Rural outside a metropolitan statistical area:** Any incorporated place, census designated place, or non-place territory designated as rural by the census bureau.
8. **Rural inside a metropolitan statistical area:** Any incorporated place, census designated place, or non-place territory within a CMSA or MSA of a large or mid-size city and defined as rural by the census bureau.

Source: U.S. Census Bureau.

district as a school district with at least 75 percent urban schools. We defined a rural school district in the same manner. School districts still containing undetermined schools were classified as “undetermined” if either the urban or rural schools within the school district represented 25 percent or less of all schools within that school district. All remaining school districts were classified as “mixed.”

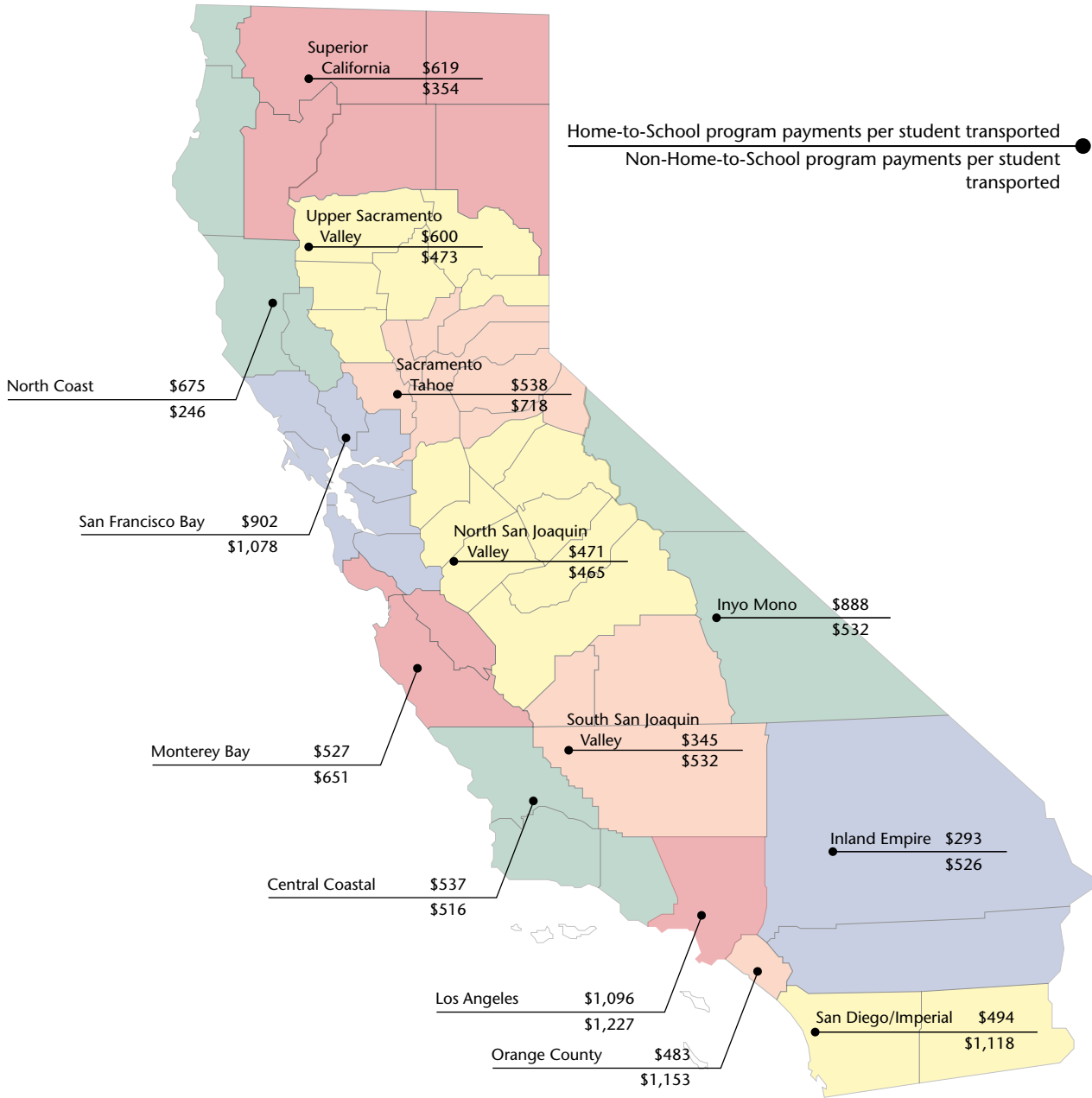
APPENDIX B

Average Home-to-School Transportation Program Payments and Funding From Other Sources Per Student by Region

The Joint Legislative Audit Committee requested that we determine the transportation costs per student by region. To present this information we used the 14 regions shown in Figure B on the following page as identified by the California Postsecondary Education Commission. Using the identification codes that the Department of Education uses for all school districts and county offices of education (school districts), we identified the county in which each school district is located. Figure B shows the average Home-to-School Transportation (Home-to-School) program payments per transported student that the school districts within each region received and the average cost per transported student they paid from other funding sources for fiscal year 2004–05. For example, for the Orange County region, the transportation costs of \$1,636 per student were funded by \$483 from the Home-to-School program and \$1,153 from non-Home-to-School program funds. For the North Coast region, the transportation costs of \$921 per student were funded by \$675 from the Home-to-School program and \$246 from non-Home-to-School program funds.

FIGURE B

Per Student Home-to-School Transportation Program Payments and Non-Home-to-School Program Payments by Region



Source: Department of Education’s (Education) Standardized Accounting Code Structure database; regions defined by the California Postsecondary Education Commission.

Note: As we mentioned in the scope and methodology section of this report, although we determined that the data we obtained from Education agreed with the data that school districts provided, we did not perform a detailed audit of school districts’ records because it was not within the scope of our audit. Therefore, these data are of undetermined reliability.

APPENDIX C

Categorical Program Funds School Districts Used to Pay for Student Transportation Costs

In addition to their Home-to-School Transportation (Home-to-School) program payments and general funds, school districts and county offices of education (school districts) used funds from various categorical programs to pay for student transportation costs in fiscal year 2004–05. State laws allow school districts to use other categorical program funds to pay for some transportation costs. However, the fiscal year 2004–05 Budget Act did not allow a school district to use combined funds from some categorical programs to pay for transportation costs exceeding 115 percent of its Home-to-School program allocation.

Our survey of 100 school districts that received Home-to-School program payments for fiscal year 2004–05 found that many used other categorical program funds to pay some of their student transportation expenses. Of the 98 school districts that responded to our survey, 22 urban school districts and 15 rural school districts used funds from 17 categorical programs to pay transportation costs. These school districts reported using funds from one to seven categorical programs for this purpose. Table C.1 on the following page shows the 17 categorical programs and the total amounts that the 37 school districts reported using from those programs to pay for transportation. We describe the general goals of these 17 categorical programs in Table C.2 on page 37.

TABLE C.1

**Many of the 98 School Districts Responding to Our Survey Used Funds
From 17 Categorical Programs to Pay for Their
Fiscal Year 2004–05 Student Transportation Expenditures**

	Categorical Program	Number of Urban School Districts*	Total Amount Used	Total Transportation Expenditures†	Number of Rural School Districts*	Total Amount Used	Total Transportation Expenditures†	Total Number of School Districts*	Total Amount Used
1	10 th Grade Pupil Progress Review and Counseling	3	\$ 16,101	\$ 17,779,835	2	\$ 658	\$ 2,216,006	5	\$ 16,759
2	After-School Education and Safety Program	1	9,686	4,970,900	0	—	—	1	9,686
3	Agricultural Career Technical Education Incentive Program	1	1,030	433,880	1	1,729	2,078,983	2	2,759
4	California Peer Assistance Review	2	19,194	12,100,427	7	4,125	3,117,428	9	23,319
5	Child Nutrition Program	1	24,979	5,734,374	0	—	—	1	24,979
6	Economic Impact Aid Program	15	1,084,839	34,446,269	4	17,924	2,861,073	19	1,102,763
7	Educational Technology	2	28,586	12,045,461	0	—	—	2	28,586
8	Early Immigrant Act—Limited English Proficiency Students	2	28,420	5,293,836	0	—	—	2	28,420
9	Foster Youth	1	34,296	5,734,374	1	2,831	51,899	2	37,127
10	Gifted and Talented Education	5	72,810	19,154,018	4	5,229	2,821,956	9	78,039
11	Medi-Cal Administrative Assistance	0	—	—	1	16,435	392,964	1	16,435
12	Regional Occupational Program	1	39,438	433,880	0	—	—	1	39,438
13	School Improvement Program	14	1,218,981	37,850,016	4	35,460	2,861,073	18	1,254,441
14	Special Education	1	320,834	509,153	4	219,241	1,540,372	5	540,075
15	Supplemental Grant	5	2,860,352	17,467,913	3	19,940	338,637	8	2,880,292
16	Targeted Instructional Improvement Grant	3	818,104	6,003,646	0	—	—	3	818,104
17	Title I—No Child Left Behind Act of 2001	1	96,273	4,970,900	0	—	—	1	96,273

Sources: Department of Education’s (Education) Standardized Accounting Code Structure database; survey responses from 98 school districts.

* These figures include data for 22 urban school districts and 15 rural school districts. Some of these school districts used funds from more than one categorical program to pay for transportation expenditures.

† As we mentioned in the scope and methodology section of this report, although we determined that the data we obtained from Education agreed with the data that school districts provided, we did not perform a detailed audit of school districts’ records because it was not within the scope of our audit. Therefore, these data are of undetermined reliability.

TABLE C.2

Purpose of the Categorical Programs School Districts Used to Pay for Transportation

	Categorical Program	General Goal
1	10 th Grade Pupil Progress Review and Counseling	A program that supports the systematic review of academic progress and counseling during the final two years of high school.
2	After-School Education and Safety Program	To support local efforts to improve assistance to students and broaden the base of support for education in a safe, constructive environment.
3	Agricultural Career Technical Education Incentive Program	To purchase or lease technical education equipment for agricultural careers.
4	California Peer Assistance Review	A program supporting a teacher peer assistance and review system and the coordination of employment policies and procedures with activities for professional development.
5	Child Nutrition Program	To provide for each needy pupil one nutritionally adequate free or reduced-price meal during the school day.
6	Economic Impact Aid Program	To provide educationally disadvantaged youth programs and bilingual education.
7	Educational Technology	To fund the Education Technology Staff Development Program in an equal amount per pupil in grades 4 to 8, inclusive.
8	Early Immigrant Act—Limited English Proficiency Students	Formula subgrants made available to eligible local educational agencies to provide supplementary programs and services to limited-English-proficient students (known as English learners in California). The purpose of the subgrants is to assist limited-English-proficient students to acquire English and achieve grade-level and graduation standards.
9	Foster Youth	Grant programs for each county office of education and selected school districts to increase interagency support for foster youth.
10	Gifted and Talented Education	The Gifted and Talented Education program provides funding for local educational agencies to develop unique education opportunities for high-achieving and underachieving pupils in California public elementary and secondary schools who have been identified as gifted and talented.
11	Medi-Cal Administrative Assistance	To promote access to health care for students in the public school system, prevent costly or long-term health care problems for at-risk students, and coordinate students' health care needs with other providers.
12	Regional Occupational Program	Career and workforce preparation for high school students and adults, preparation for advanced training, and the upgrading of existing skills.
13	School Improvement Program	To ensure that all schools can respond in a timely and effective manner to the educational, personal, and career needs of every pupil.
14	Special Education	To ensure that all individuals with exceptional needs are provided their rights to appropriate programs and services that are designed to meet their unique needs under the federal Individuals with Disabilities Education Act.
15	Supplemental Grant	To provide supplemental grants to be allocated to school districts receiving less than average funding from existing state programs.
16	Targeted Instructional Improvement Grant	To provide funding to school districts for court-ordered desegregation and voluntary integration programs.
17	Title I—No Child Left Behind Act of 2001	To ensure that all children have fair, equal, and significant opportunity to obtain high-quality education and reach, at a minimum, proficiency on challenging state academic achievement standards and state academic assessments.

Sources: Information obtained from the Department of Education's Web site; state and federal laws.

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Agency's comments provided as text only.

California Department of Education
1430 N Street
Sacramento, CA 95814-5901

February 27, 2007

Elaine M. Howle, State Auditor*
Bureau of State Audits
555 Capitol Mall, Suite 300
Sacramento, CA 95814

Dear Ms. Howle:

Audit No. 2006-109

This is the California Department of Education's (CDE) response to the Bureau of State Audits' (BSA) draft audit report entitled, *Home-to-School Transportation Program: The Funding Formula Should Be Modified to Be More Equitable*.

Recommendation No.1

To determine the fiscal impact on school districts that do not receive the Home-to-School program funds, Education should (1) identify all school districts that provide transportation services to their students but are not currently eligible to receive state funds for the Home-to-School program from Education for regular education transportation, special education transportation or both; and (2) determine the actual expenditures these districts incur and the funding sources they use to pay for those expenditures.

CDE Response:

Given sufficient time, Education could conduct this additional work and absorb the cost.

Recommendation No.2

To ensure that all school districts are able to participate and receive state funds for the Home-to-School program to help defray transportation costs, Education should seek legislation to revise the current laws to allow funding for all school districts that provide transportation services to regular education students, special education students, or both.

CDE Response:

Education agrees that the current formula needs a review. However, conducting such a review is not limited to the department. Also, additional resources would be required to convene stakeholders for reaching consensus on any proposed formula revisions. Revisions to the current Home-to-School Transportation program formula have been previously proposed in legislation on numerous occasions, but have not been successful.

If you have any questions, please contact Kevin W. Chan, Director, Audits and Investigations Division, at (916) 323-1547 or by e-mail at kchan@cde.ca.gov.

Sincerely,

(Signed by: Gavin Payne)

GAVIN PAYNE
Chief Deputy Superintendent of Public Instruction

* California State Auditor's comment begins on page 41.

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COMMENT

California State Auditor's Comment on the Response From the Department of Education

To provide clarity and perspective, we are commenting on the response to our audit report from the Department of Education (Education). The number corresponds with the number we have placed in Education's response.

- The intent of our second recommendation on page 28 is to address the type of condition described on page 14 of our report. Specifically, a district is not eligible to receive Home-to-School Transportation (Home-to-School) program funds if it did not receive these funds in the immediately preceding fiscal year.

The number of school districts affected by this condition and the amounts of their respective transportation costs for the most recent year is currently unknown and creates the need for our first recommendation on page 28. Once the information called for in the first recommendation is available, it creates the opportunity for Education to request a change in the law to, for example, allow these districts to receive a payment from the State at the same percentage rate of reimbursement for their regular or special transportation costs as the average of other districts in the State. Once these amounts are determined, Education could seek a funding supplement representing this amount to the current base that would be increased annually by the increase in statewide average daily attendance. If a method similar to this illustrative example were used, there would be no negative impact to current districts receiving payments and there would be no change in the allocation formula after such a one-time adjustment was made. It is unclear why Education believes it needs to wait to convene with stakeholders to reach consensus on a formula revision when districts currently receiving payment are not adversely affected and, although the base would need to be increased, the allocation formula would remain unchanged.

Although Education did not directly address our third recommendation on page 28, we can appreciate that it may first need to convene with stakeholders to reach consensus on other changes in the law that may be warranted, such as allocating Home-to-School program funds in a different manner if the change would result in some districts receiving less funding than they currently receive because, for example, they have decreasing numbers of students being transported.

cc: Members of the Legislature
Office of the Lieutenant Governor
Milton Marks Commission on California State
Government Organization and Economy
Department of Finance
Attorney General
State Controller
State Treasurer
Legislative Analyst
Senate Office of Research
California Research Bureau
Capitol Press