

**North Carolina Department of Public Instruction
Division of Safe and Healthy Schools Support**

Transportation Services Section

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**Transportation Allotments and Budget Ratings
April, 2014**

Transportation Allotments and Budget Ratings

The North Carolina Department of Public Instruction, Transportation Services is responsible for the allocation of funds, from the state budget appropriation, to 115 local education agencies (LEAs) for school transportation operations. This block grant provides funds to pay for drivers, fuel, personnel, parts, tires, contracts, etc. needed to transport students in grades K-12 to and from school. The state allotment for transportation is calculated from the prior year's eligible expenditures, a budget rating and any necessary adjustments. The budget rating is, in part, a measure of efficiency of operation. Annual adjustments are made for increased enrollment and any adjustments required by General Assembly action.

1. Allotment Calculation – PRC 056 Allotments for City, County LEAs

Funds allotted through Program Report Code 056 are for the purpose of transporting students to and from school for the regularly organized school day. DPI Transportation Services calculates transportation allotments using a funding base and a transportation budget rating. The basic calculation is to multiply the previous year's funding base for each LEA by its budget rating to determine the current year allotment. (Adjustments are made for legislated salary changes, increases in enrollment, etc.)

FUNDING BASE. The funding base for a city or county LEA consists of actual, eligible, expenditures (see below) from the prior year for to- and from-school transportation. (For counties with 2-3 LEAs, if city driver salaries and salaries for city TIMS work are paid by the county in a given year, those amounts remain in the county funding base for the following year.

BUDGET RATING. The budget rating is, in part, a measure of efficiency and is calculated by examining the cost per student and the number of buses per 100 students for each county. A lower cost and a lower number of buses yield a higher budget rating. Site characteristics include the number of students transported per mile of roadway and the distance of student residences from school.

Because county LEAs maintain and fuel the city LEA buses, and because the geographic site characteristics used to "level the playing field" statewide cannot be distinguished between city and county, all data for city and county LEAs are combined before calculating ratings. The same budget rating is then used for the city and county LEA when figuring allotments as described above.

Each LEA's transportation basic allotment is calculated by multiplying its Funding Base by its Budget Rating. For example, a funding base of \$700,000 and a budget rating of 99% yields an allotment of \$693,000 in state funds. The funding base is the sum of eligible state and local transportation (Program Report Code 56) expenditures from the prior year. These are the expenditures for transporting students to and from school for the regularly organized school day

Adjustments are made to this amount based on increasing enrollment and legislative action such as salary increases, benefits changes, etc.

2. Eligible Expenditures and Funding Base

Eligible expenditures are state or local expenditures that are used for the purpose of providing transportation to and from school for students in grades K-12. Expenses for other transportation during the day that is needed in order for students to receive instruction (at a remote campus, for instance) is also eligible to be included in the state transportation funding base. At the LEA's discretion, this may also include the cost of providing transportation to students pursuing an Occupational Course of Study or receiving other specialized training off-campus, as stipulated in an Individualized Education Program (IEP).

These expenditures are restricted or limited to those costs that are applicable to the existing PRC 056 account codes set forth in the current state Uniform Chart of Accounts. These expenditures include transportation personnel and driver salaries, office supplies, vehicle parts costs, tires, fuel and contract transportation.

For city school systems, since the county is responsible for maintenance of school buses and service vehicles, eligible costs usually are limited to salaries, benefits and contracted transportation – but not items related to maintenance and operation of the buses.

Specifically, Eligible expenditures are comprised of State Eligible Expenditures (charged to Program Report Code PRC56) and Local Eligible Expenditures (also charged to PRC 56).

- A. State expenditures may be charged to PRC 56 provided:
 - a. They relate directly to the transportation of K-12 students to and from school for the regular school year. Included in this is the maintenance and servicing of the vehicles used to provide that transportation.
 - b. They correspond to one of the object codes in the chart of accounts for PRC 56: bus driver salaries, transportation personnel, salaries, fuel, parts, tires, contract transportation, etc.
- B. Local expenditures recorded are reported on Annual Transportation Report TD-1 and are considered eligible (that is, recorded in local PRC 56) if they meet these two same criteria.
 - a. Expenses must be to the transportation of K-12 students to and from school for the regular school year.
 - b. Only expenditures related to one of the eligible state object codes may be reported on annual transportation report TD-1 as a local expenditure.

An LEA's **funding base** is comprised of the total of the state and local eligible expenditures. **This funding base of prior year eligible expenditures forms the basis for the current year allotment.**

3. Ineligible Expenditures

Ineligible expenditures include those that are related to transportation in some form, but not directly related to providing to- and from-school transportation, or those that are to be paid from other funding sources. They include but are not limited to the following:

- a) Transportation safety assistants or monitors salaries.
- b) Driver incentive or bonus pay
- c) Transportation director/supervisor salary (State funds must be charged to PRC02 – not PRC 056.)
- d) Personnel salary that is not directly related to yellow school bus, to-and-from school. (This could include overseeing activity bus scheduling). Any employee salary that is not 100% dedicated to to/from school transportation must be prorated based on the amount of time assigned to conduct to/from school transportation and other activities.
- e) Transportation employees assigned to maintain or schedule local vehicles (including activity buses, as described above).
- f) Driver salary for routes serving only local pre-k programs, Head Start, Summer School, Pre-K EC programs.
- g) Insurance benefits other than Social Security, Retirement and Hospitalization,
- h) Longevity pay.
- i) Maintenance and operation of activity buses and all other local vehicles.
- j) Equipment, computers and software which CAN be purchased through valid PRC 56 object codes (541,542,461,462) but which is not rolled forward into the funding based for the next school year.

4. Budget Ratings

The basis for the annual transportation allotment is obtained **by multiplying the funding base of eligible expenditures by the county's budget rating**. In very general terms, if an LEA's budget rating is 95%, then the state will cover 95% of the transportation costs. It is then up to LEA to (1) generate savings or (2) to use local funds to make up the difference.

The budget rating is based in part on the efficiency with which the LEA uses its dollars and buses. The budget rating is actually made up of a Bus Efficiency Rating and Cost Efficiency Rating. The cost efficiency measures the **expenditures per student** compared with all other counties in the state. The bus efficiency measures the **number of buses per 100 students**, again compared with all other counties in the state.

Site characteristics, are considered through a linear regression process in order to level the playing field. This allows LEA data to be compared statewide. Site characteristics in the model that are beyond the control of the LEA transportation department include:

- pupil density (number of transported students per mile of roadway in the county)
- the average distance of student residences to the school they attend
- average elevation in the county
- percentage of students on vehicles transporting primarily those with special needs

Depending on the relative efficiency advantages resulting from any of these site characteristics, the model adjusts the number of students upward (for more efficiency-disadvantaged counties) or downward (for more efficiency-advantaged counties) before calculating buses or cost per student.

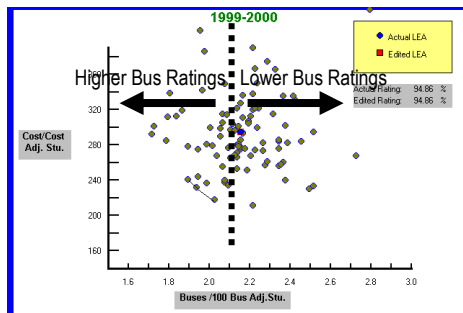
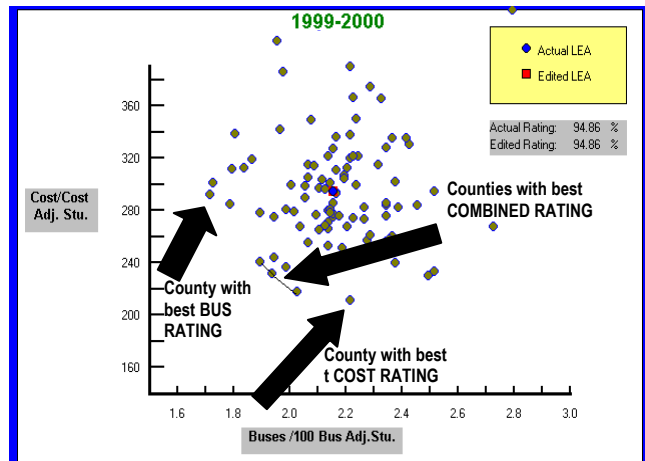
Once the efficiency rating is calculated, as shown below, an additional 10% “buffer” is added to produce the budget rating. The buffer acknowledges some counties have unique circumstances that make it more difficult for them to be efficient, that are not experienced by enough other counties to be statistically significant as a site characteristic.

$$\text{BUDGET RATING} = \text{EFFICIENCY RATING} + 10\%$$

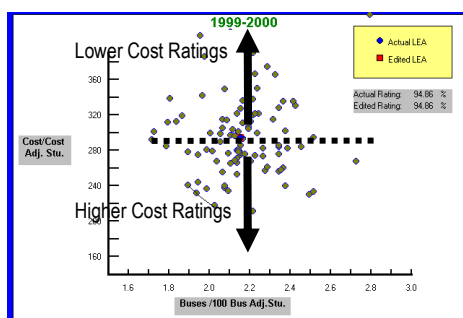
5. Efficiency Rating Methodology

Budget ratings are calculated using statewide data on expenditures, students transported and buses operated after adjusting for site characteristics to level the playing field. A graph showing each county’s position relative to cost per student and buses per 100 students is depicted at right, where each dot represents a county.

The “westernmost” dot represents the county with the best BUS RATING – that county that uses the fewest buses per 100 students transported of all counties. The “southernmost” dot represents the county with the best COST RATING – that county that spends less per student of all counties in the state. The three counties connected by lines are those with the best COMBINED RATINGS in the state. The Combined Rating is the average of the cost rating and the bus rating.



This graph shows the relative location of “high” and “low” bus ratings. Essentially, the lower the “Buses per 100 Adjusted Students”, the higher the bus rating. A reduction in buses – all other things being equal – leads to a HIGHER bus rating, while an increase in buses – all other things being equal – leads to a LOWER bus rating. An increase or decrease in buses resulting from a corresponding increase or decrease in ridership may have little or no impact on the bus rating.



Just the same way, the lower the “Cost per Adjusted Student”, the higher the cost rating. A reduction in cost – all other things being equal – leads to a HIGHER cost rating, while an increase in cost – all other things being equal – leads to a LOWER cost rating. An increase or decrease in cost resulting from a corresponding increase or decrease in ridership may have little or no impact on the bus rating.

6. Budget Rating Simulator

Each year, a budget rating simulator (the “Simulator”) is prepared to help LEAs evaluate potential changes in transportation plans and their impact on funding. For instance, if school starting times are changed so that a single school bus can make two runs instead of just one – thereby decreasing the number of buses needed – the bus efficiency will increase. The simulator allows LEA staff to determine the actual impact on ratings (and therefore funding) by analyzing the tradeoff between fleet size and cost.

The following year, updated Student, Cost and Bus information are loaded into the Simulator to generate the budget rating used to calculate the allotment for that year.

At the same time, the updated Student, Cost and Bus information are also loaded into the funding formula to generate NEW budget ratings. This allows LEAs to benefit more quickly from most recently implemented efficiency-based changes.

7. Allotment Calculations

The rating generation process described above results in two budget ratings – (1) the *Simulator* rating in which the LEA’s latest data is measured against last year’s ratings and (2) the *New Model* rating in which the funding model generates the most recent set of budget ratings. Each LEA is funded base on whichever rating is higher. The New Ratings then form the foundation for the following year’s Simulator.

A sample allotment data sheet is shown as Attachment A.

8. City and County LEAs

Many of the geographical site characteristics are hard to distinguish between a county LEA and a city LEA that may or may not lie completely within that county. Further, county LEAs are responsible for maintenance and fueling of city LEA school buses and, in some cases, pay the city LEA drivers. As a result, all budget rating calculations are done at the county level. Allotments, however, are distributed to each LEA (county and city) by applying the budget rating to the respective funding base for each LEA.

9. Capped Expenditures

The appropriation from the General Assembly is approved as part of the state’s biennial budget, and assumes increased expenditures based on increases in students and legislated increases only. As such, each county’s funding base is assumed to increase or decrease in proportion to these changes. In cases where an LEA’s funding base has increased from one year to the next by an amount that could not be predicted by increases in enrollment, legislated increases or fuel costs, some of the local expenditures may be “capped” and treated as ineligible. It is easy to understand that if LEAs across the state collectively added, say, \$8 million in local funds expenditures to the statewide funding base (without corresponding enrollment increases or salary/fuel costs), such an increase could not be

supported within the state appropriation. In such a case, only the local expenditures less the capped amount are considered in calculating cost.

When the funding data are sent to finance officers and transportation directors prior to generating budget ratings, this information is shown with the other data for review. (See Attachment B.)

10. Fuel Prices

When the price of fuel for the current school year is about the same as for the prior school year, the funding processes work as described. However, when fuel prices rise (or fall) significantly, there can be an unintended impact on funding. Consider a year when fuel prices rise by 50 cents per gallon over the previous school year. LEA transportation expense could increase by thousands of dollars. *ALL OTHER THINGS BEING EQUAL*, such an increase in expenses would decrease a county's budget rating in the Simulator. For this reason, the expenditure increase due to fuel pricing alone must be deducted from the funding base before calculating ratings in the simulator. The same applies when there are significant declines in fuel pricing from one year to the next.

In generating *new* ratings, this adjustment need not be done because each county's current-year expenses including current-year fuel prices are being compared with all other counties' expenses including current-year fuel prices.

In either case, once ratings are generated, those ratings are applied to the actual funding base unless there are significant changes in fuel pricing that can be anticipated for current year funding.

Note that necessary changes in expenditures due to fuel pricing are shown on the data review sheet sent prior to the generation of budget ratings.

11. Charter Schools

Charter schools receive funding based on their enrollment and, while they do not receive dedicated transportation funds, they do receive funds that are transferred from LEAs where their students reside – including funds in PRC 56. Funds for students that attended charter schools in previous years are transferred externally from the current year funding process. However, students moving from the LEA to a charter school for the current year trigger the transfer of some of the LEA's transportation allotment to the charter school. These funds are deducted from the annual PRC 56 allotment as shown at the bottom of attachment A.

12. Miscellaneous Transportation Funding

Limited transportation funding is handled external to the funding formula. This funding is for non-recurring current year expenditures that should not be compared with other LEAs in calculating budget ratings. These funds are not carried forward in the funding base to the next school year due to the non-recurring nature of the expense.

- A. **Vehicle Use Tax.** When replacement vehicles (school buses or service trucks) are provided at state expense, a one-time allotment is sent to the LEA in order to pay the highway use tax on each vehicle. The amount of this allotment is deducted from total expenditures in calculating the budget ratings and the funding base for the next school year.
- B. **Early College.** The State Board of Education has established that, in providing transportation for students attending an Early College program, the LEA is to be “held harmless” from the transportation funding formula. Essentially that means that funding for this kind of transportation is allotted separately. The amount of this allotment is deducted from total expenditures in calculating the budget ratings and the funding base for the next school year.
- C. **Equipment Contingency.** Contingency allotments are provide to reimburse for unexpected repair expenses for major equipment failure (e.g. engines, transmission, wrecks) in small LEAs. Requests are received until April 15. The amount of this allotment is deducted from total expenditures in calculating the budget ratings and the funding base for the next school year.

FREQUENTLY ASKED QUESTIONS

- Q1. **TRANSPORTATION DIRECTOR/SUPERVISOR SALARY.** Can the transportation directors/supervisor salary be paid from your state transportation (056) allotment?
- A1. No. State Board of Education Policy, via that Allotment Policy Manual, states that, if state funds are used to pay for a transportation director, it must be via PRC 002 – Central Office Administration. So, since state PRC 056 is not allowed for this purpose, neither is Local 056.
- Q2. **PART TIME TRANSPORTATION DIRECTOR.** Can any portion of the directors/supervisor salary be paid from your state transportation (056) allotment if the position is assigned multiple duties?
- A2. Usually not, but in the case of some small county and city LEAs, “maybe.” If the position is designated as a having multiple duties, the percentage of the transportation director/supervisor role must be paid from PRC 02 or local funds – not PRC 056. If the position has duties outside transportation (e.g. “Maintenance Director”), the percentage of that position must be paid from its funding source.

However, if that person also performs other non-director functions – such as operating TIMS, driving a bus, etc. – ***that relate directly to providing to- and from-school transportation***, then the percentage of those other transportation responsibilities can be paid from PRC 056. Note that scheduling, driving, inspecting or otherwise administering the operation of activity buses does NOT relate to to- and from- school transportation. The percentage related to other responsibilities, including activity bus scheduling, must be paid from other funds.

Time allocation for transportation director or supervisor for city LEAs must be reported on form TD-1, the annual transportation report. NOTE: The portion allocated to the role of transportation director for small districts should be at least 30%. That portion of the position’s salary must not be paid from PRC 056.

- Q3. **CITY PAYING FUEL/MAINTENANCE.** Can a city LEA reimburse the county LEA from its state transportation block grant for diesel fuel used to transport students to and from school?
- A3. This question is most applicable in a situation where fuel prices are rising above the level funded by the state and local funds might be needed. Each LEA receives a “block grant” allotment for transportation, not a line item allotment, that can be used for allowable expenses for to-and-from school transportation grades K-12. This includes fuel for school buses and can be accomplished in one of two ways:
1. City LEA pays the vendor directly for an entire invoice for fuel or a partial payment for such invoice.
 2. City LEA requests that DPI transfer PRC 056 funds from the city allotment to the county allotment and the county pays the fuel bill as normal. The next fiscal year, the city may request that this amount be returned to their funding base or leave it as part of the county funding base.

- Q4. SCHOOL BUS EQUIPMENT – TECHNOLOGY. Can an LEA use state transportation funds to purchase cameras, GPS, time-keeping systems or other equipment for its school buses?
- A4. Yes. Equipment object codes are allowable within State PRC 056 for equipment related to school buses that transport students to and from school for the regularly organized school day. HOWEVER, state funds spent for equipment do not roll forward as part of the transportation funding base for the next school year.
- Q5. BUS ROUTES AND DRIVER PAYROLL. What information should be shared between the city LEA and the county transportation department regarding school bus routes, driver payroll, etc.?
- A5. Because the county bus garage staff is responsible for maintaining and trouble-shooting all school buses for city and county LEAs, it is important that they be aware of all bus routes for each LEA. If the routing is done cooperatively between the city and county, then the bus garage staff will have access to all routes through a common TIMS system. If city LEA routes are done separately, then information on where each bus travels should be given to the county transportation staff on a regular basis.
- Q6. SATURDAY OPERATIONS. May school buses be used on Saturday? What if the County LEA is not operating on a Saturday, but the City LEA is. Who pays the additional expense?
- A6. If Saturday is an instructional day, then school buses may be used for to- and from-school transportation. The City and County LEA must work together to ensure a plan when schedules differ, due to weather-related make-up days, etc. If such a situation is rare, the county should provide someone on call for the day and provide affected staff a different day off to avoid overtime pay. If overtime pay is required, the City may be asked to contribute to the additional expense. Ultimately the LEAs will need to agree on how to handle this cost.
- Q7. REIMBURSEMENT. What about reimbursement for extra use of buses, beyond to- and from-school?
- A7. ANY additional use of buses beyond to- and from- school transportation must be reimbursed on a per mile or per student basis to the county transportation department (with the exception of the drivers, assuming that drivers are paid directly by the funding program). Regardless of whether the program is funded by the city LEA or the county LEA, reimbursement for the non-driver portion, on per-mile or per-pupil bases, goes back into the county's PRC056 Transportation Budget.
- Q8. EFFICIENCY. What responsibility does an LEA have to operate efficient transportation?
- A8. The degree to which a local board of education chooses to operate its transportation program efficiently is up to that local board. The state funding formula is designed to provide state funding only up to the level of efficiency of operations. Since all financial, as well as operational, data are combined before calculating budget ratings the operations of all bus routes in all LEAs impact the budget rating and, ultimately, the allotment. City and County LEAs must work together to ensure that costs are managed.

Transportation Data for Review

LEA NAME: XXX LEA NUMBER: XXX

NCDPI Transportation Services

STUDENT DATA (October, 2012)	
Students on Regular Buses:	4,511
Students on Buses Transporting Primarily EC Students:	98
Students transported via contract:	13
Total Students Transported 2012-2013	4,622
BUSES OPERATED (2012-2013)	
Regular Buses	81
Buses Transporting Primarily EC Students	12
Total Buses Operated 2012-2013	93
TIMS DATA	
2012-13 TIMS Data Complete for new Budget Ratings? (Yes/No) "Yes" indicates that all data were acceptable and will be included in the funding formula. "No" indicates that less than 90% of students were updated and assigned to stops/runs/routes and located. "Worst Case" data will be assigned in running the funding model.	Yes
EXPENDITURES (FY 2012-2013)	
(1) Total State Expenditures PRC 56	\$2,443,098
(2) Total ELIGIBLE State Expenditures (1) – (2a) Personnel (\$335,114), Drivers/Subs (\$1,101,078), Benefits (\$356,688) Contract Transportation (\$55,500), Fuel (\$469,345), Other (-\$36,968) (2a). Excluded Expenditures: Bio-Diesel Blitz (\$0), Early College (\$150,141) Equipment (\$0), Contingency (\$3,198), Use Tax (\$9,000)	\$2,280,759
(3) Legislated Increases (2012-2013) for retirement, hosp: \$28,489	\$28,489
(4) Total State Expenditures for SIMULATOR (2)-(3)	\$2,252,270
(5) Total Eligible Local Expenditures (Use in Simulator) Personnel (\$0), Drivers/Subs (\$4,712), Benefits (\$1,307) Contract Transportation (\$0), Fuel (\$120,234), Other(\$89,755)	\$216,008
ALLOTMENT CALCULATIONS	
(6) Funding Base for 2013-14 (2)+(5)	\$2,496,767
(7) Amount by which Funding Base Exceeds Projected Base. (Budget projections were calculated by increasing prior year Eligible expenditures by ADM growth and fuel cost increases. Legislative appropriations are not available for LEAs where transportation expenditures grow faster than enrollment and the cost of fuel. Some or all of this amount may be deducted from (5) Eligible Local Expenditures and, therefore, budget rating calculation and (6) the Funding Base for 2013-2014.)	\$95,793
(8) Budget Rating – This must be calculated in order to determine the final transportation allotment, as indicated in the calculations in (9) below	To be determined
(9) Final Transp. Allotment - 2013-2014 (6-7)x(8)-(2013-14 Charter Schools) – (Legislative Reductions)	To be determined