

LEGISLATIVE FISCAL ESTIMATE

[First Reprint]

SENATE, No. 2049

STATE OF NEW JERSEY 217th LEGISLATURE

DATED: JUNE 23, 2016

SUMMARY

- Synopsis:** Establishes three-year nonpublic school pupil transportation pilot program in Lakewood School District to provide funding to consortium of nonpublic schools that will assume responsibility for district's mandated nonpublic school busing.
- Type of Impact:** Expenditure Increase in General Fund or Property Tax Relief Fund; Indeterminate Change in School District Expenditures
- Agencies Affected:** Department of Education; Lakewood School District

Office of Legislative Services Estimate

Fiscal Impact	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>
State Cost	\$2.4 million	\$2.4 million	\$2.4 million
Local Cost	Indeterminate Change – See comments below		

- The Office of Legislative Services (OLS) estimates that Senate Bill No. 2049 (1R) will increase State expenditures by approximately \$2.4 million in each of the three years of the pilot program. The bill would require the Lakewood School District to provide funding to a consortium of nonpublic schools that would assume the responsibility of providing mandated transportation services to nonpublic school students attending schools that are part of that consortium. The funding would be based on the maximum amount of nonpublic school transportation costs per pupil allowed, currently \$884 per pupil. A provision of law that is not changed by this legislation stipulates that the State bears any cost of providing mandated transportation services to nonpublic school students that exceeds \$735 per pupil.
- The OLS notes that the bill's impact on the school district's expenditures is indeterminate. The amount that the school district would be required to transfer to the consortium exceeds the amount currently spent to provide mandated transportation services to nonpublic school students by approximately \$2.1 million. This increase would be offset, by an indeterminate amount, by two factors. First, the Lakewood School District currently provides courtesy busing to approximately 7,000 nonpublic school students. Under the bill, the district would not provide such a service during the time of the pilot program, thereby yielding an

expenditure reduction; the OLS does not have information regarding the amount that the district currently spends to provide courtesy busing to nonpublic school students. Second, if funds that were transferred to the consortium remain unexpended at the end of the school year, then the consortium must return the unspent funds to the school district. The OLS is not able to project how much funding, if any, would not be spent by the consortium in any given year.

BILL DESCRIPTION

Under current law, a school district is required to provide transportation services to public school students who live remote from school. Remote is defined as more than two miles between home and school for students enrolled in grades kindergarten through eight, and more than 2.5 miles for high school students. If a school district provides such transportation services to public school students, then it is also required to provide transportation services to nonpublic school students residing in the district who live remote from school, but no more than 20 miles from the nonpublic school that the student attends. The law includes a limit on the amount that a school district may pay to provide transportation services to nonpublic school students; currently, that limit is \$884 per pupil.¹ If the school district is unable to provide transportation services to a nonpublic school student within this limit, then it is required to make an aid in-lieu-of transportation payment in that amount to the student's parent or guardian. The State is responsible for reimbursing school districts for any nonpublic student transportation costs in excess of \$735 per pupil. A school district may, at its own expense, provide courtesy busing to students who do not live remote from school.

Senate Bill No. 2049 (1R) requires that the Commissioner of Education establish a three-year nonpublic school pupil transportation pilot program in the Lakewood School District. Under the pilot program, nonpublic schools may form a consortium that would assume the responsibility of providing the mandated transportation services for the students attending the nonpublic schools included in the consortium. In the event that the consortium is unable to provide transportation for a nonpublic school student, then it would make an aid in-lieu-of transportation payment to the student's parent or guardian.

The district would make a payment to the consortium equal to the \$884 per pupil limit for each nonpublic school student who receives mandated transportation services from the consortium. If funds remain available after the consortium provides the mandated transportation services, then it may provide courtesy busing to nonpublic school students who reside in the district and attend a nonpublic school in the consortium. At the end of each school year, any unexpended funds would be refunded to the district. The district would not provide courtesy busing to any nonpublic school students during the pilot program.

FISCAL ANALYSIS

EXECUTIVE BRANCH

None received.

OFFICE OF LEGISLATIVE SERVICES

¹ This per pupil limit was included in each appropriations act since FY 2010.

State Cost

The OLS estimates that Senate Bill No. 2049 (1R) will increase State expenditures by approximately \$2.4 million in each year of the pilot program. Under the provisions of section 2 of P.L.1981, c.57 (C.18A:39-1a), the State bears any cost of providing mandated transportation to nonpublic school students that exceeds \$735 per pupil. A media report² stated that the State fiscal monitor assigned to the Lakewood School District estimated that Lakewood currently spends \$602 per pupil to provide transportation services to nonpublic school students. Since the legislation does not modify the current law requiring that the State bear costs of nonpublic student transportation in excess of \$735 per pupil, the State would be responsible for providing \$149 per nonpublic school student who is eligible to receive transportation services. As of October 2015, nearly 16,000 nonpublic school students who reside in Lakewood received mandated transportation services, resulting in the estimated increase in State costs.

Local Cost

The OLS is not able to determine the bill's net effect on the school district's expenditures. On the one hand, the amount that the school district would be required to transfer to the consortium (and that will not be reimbursed by the State pursuant to section 2 of P.L.1981, c.57 (C.18A:39-1a)) would be \$735 per pupil, or \$133 more per pupil than what the district currently spends to provide transportation for nonpublic school students. This yields a total increase in school district expenditures of approximately \$2.1 million when multiplied by the number of nonpublic school students who are eligible to receive transportation services.

There are two factors that may offset the expenditure increase. First, in addition to providing mandated busing services to nonpublic school students, the district also currently provides courtesy busing to approximately 7,000 nonpublic school students (as well as approximately 3,000 public school students) who do not live remote from school. Under the bill's provisions, the district would not provide such services to nonpublic school students during the term of the pilot program. This would yield an expenditure reduction; however, the OLS does not have information regarding the amount that the district currently spends to provide courtesy busing to nonpublic school students.

Second, the consortium is required to return any funds that remain unspent at the end of the school year to the school district. After providing the mandated transportation services, the consortium has the option of providing courtesy busing to nonpublic school students who reside in Lakewood and attend a school that is included in the consortium. The OLS is unable to project the potential cost of such courtesy busing, and the amount, if any, that would be refunded to the school district at the end of the year.

Underlying Assumptions

This analysis includes four assumptions that impact the estimated State cost. First, it assumes that all nonpublic schools in which Lakewood students are enrolled would join the consortium, and the consortium would provide transportation services for the 16,000 nonpublic school students that currently receive transportation services from the school district. If some nonpublic schools opted to not join the consortium, then the State cost would be less. Second, the analysis assumes that the maximum amount of nonpublic school transportation costs per pupil will remain \$884. Under current law, this figure would increase by the greater of the

² www.app.com/story/news/education/2016/05/09/lakewood-pilot-busing-bill-yeshivas/84134490/

percent change in the consumer price index or the percent change in State transportation aid per pupil. However, each appropriations act since the 2009-2010 fiscal year has set the amount at \$884. The State cost would be greater if a subsequent appropriations act established a higher per pupil limit. Third, the analysis assumes that the number of nonpublic school students residing in Lakewood who are eligible to receive transportation services will remain constant. The OLS notes that between October 2011 and October 2014, the number of students in the district eligible for nonpublic transportation increased by an annual average rate of 12.1 percent. However, from October 2014 to October 2015, the number of nonpublic students eligible for transportation services remained essentially flat. The State cost would increase or decrease based on changes in the number of nonpublic students who are eligible to receive transportation services during the pilot program. Fourth, the analysis assumes that the district's current expenditure of \$602 per pupil for nonpublic school transportation reflects the per pupil cost of mandated transportation. If this figure includes both mandated and courtesy busing, it is possible that the per pupil cost of mandated busing is greater. If it exceeds \$735 per pupil, then the additional State cost per pupil resulting from this bill would be less than the \$149 used in this analysis.

Section: Education

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This fiscal estimate has been prepared pursuant to P.L.1980, c.67 (C.52:13B-6 et seq.).