



ARIZONA STATE SENATE
Forty-ninth Legislature, First Regular Session

PROGRAM PRESENTATION
K-12 Transportation Funding

Background

There are two components of transportation funding – the Transportation Support Level and the Transportation Revenue Control Limit.

Transportation Support Level (TSL) – The TSL is part of the Basic State Aid formula, an “equalized” formula established in 1980 when the state engaged in school finance reform. This formula aims to “equalize” per-pupil spending among school districts, taking into account student enrollment and property wealth. Under the current school finance formula, school districts receive approximately the same amount of funding per pupil. School districts with very strong local property tax bases can generate their entire formula funding amount solely from their local property taxes; but the majority of school districts receive state aid. Under A.R.S. § 15-945, the TSL is computed by multiplying a school district’s average daily bus route miles by the number of school days and a statutorily set support level amount with adjustments for bus passes, field trips and other related expenses. In November 2000, voters passed Proposition 301, which increased the sales tax to fund education programs. Additionally, the proposition mandated an annual inflationary increase to components in the Basic State Aid formula, including the TSL. Since the passage of Proposition 301, the Legislature has increased the TSL statutory amount annually for inflation. In FY 2008-2009, the support level amount is \$1.85 or \$2.27, depending on the mileage traveled for an eligible pupil.

Transportation Revenue Control Limit (TRCL) – Established as part of the 1980 school finance reform, the TRCL was intended as a mechanism for school districts to budget and raise additional funds for transportation costs not supported by the TSL. Although the TRCL is included in each district’s expenditure limit, it is not equalized through the Basic State Aid formula and is funded solely through property taxes but is subsidized by the state through the Additional State Aid program (A.R.S. § 15-972). Pursuant to A.R.S § 15-946, the TRCL is calculated by taking the difference in a school district’s current budget year TSL amount and its new budget year TSL amount. Any increase is then applied to the current year TRCL to calculate the next budget year TRCL amount. If there is no increase in a school district’s TSL, the TRCL does not decrease accordingly, instead the TRCL is held harmless. Due to the hold harmless provision, large gaps developed between some school districts’ TSL and TRCL from several years of declining enrollments. The Legislature addressed this issue in Laws 2007, Chapter 234, prohibiting school districts from increasing their TRCL if it is 120 percent more than its TSL.

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Fiscal Information

General Fund Costs for FY 2008-2009:

- 1) Basic State Aid – \$3.6 billion
- 2) Transportation Support Level – \$223 million (3.7 percent of Basic State Aid)
- 3) Transportation Revenue Control Limit – \$12.1 million (through Additional State Aid)

Prepared by Senate Research

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