School Finance and Transportation at TCGIS

Introduction

This write-up is designed to provide a summary overview of school finance at TCGIS, mainly in the context of pupil transportation—which has arisen as a point of focus at TCGIS this year. Goals are to foster a general understanding of key financial issues, as well as to supplement the recommendations of the transportation committee regarding transportation for the 2015-16 school year.

TCGIS Budget Overview

While the school's operating budget contains a number of intricacies, the following describes some of its key features.[1]

- Most TCGIS revenues and expenditures flow through a single general fund (although some dollars are found in separate funds for food services and for community services, each of which are budgeted to have expenditures equaling revenues). The general fund is the primary financial accounting container for school operations.
- The bulk of the funds are "fungible:" revenues are not designated for a specific purpose and a given expenditure cannot be associated with a specific source of funds. Exceptions include special education funds, building lease aid, and a German government grant.
- The vast majority of funding for the school—at about 92%—comes via annual aid from the state. This aid is determined through a complex formula that contains a number of components based on different public policy goals, but it is primarily driven by the number of pupils attending the school. As student count increases, state aid increases.
- The "undesignated fund balance" refers to the financial state of the school at the end of a fiscal year, resulting from revenues less expenditures. The fund balance does not include amounts set aside for identified uses; rather it essentially composes the savings account of school funds. The fund balance is targeted based on fiscal best practices and financial constraints (from the Minnesota Department of Education and through bonds issued as part of purchase and construction of the TCGIS facility). It has been built up incrementally over a number of years, although it is projected to drop slightly at the end of this fiscal year.

The table below provides a summary budget breakdown, highlighting some of the largest categories.

General Fund Revenues and Expenditures Summary, FY 2015

Category	Amount	Percent
Revenues		
General Education aid	2,915,571	66.3%
Other state aids	1,135,750	25.8%
Other sources	343,252	7.8%
Total Revenues	**4,394,573**	**100.0%**

[1] Amounts and figures use the fiscal year 2015 working budget (i.e., for the 2014-15 school year) as of March 31, 2015.

Category	Amount	Percent
Expenditures		
Salaries & benefits	2,093,157	46.2%
Building lease	641,816	14.2%
Special education	606,138	13.4%
Contracted services (e.g., amity, cleaning, accounting)	306,338	6.8%
Building construction (one-time)	171,887	3.8%
Various (e.g., utilities, repairs, supplies, textbooks)	710,963	15.7%
Total Expenditures	**4,530,299**	**100.0%**
Undesignated Fund Balance (all funds)	**900,586**	

State Transportation Funding

Under state law, a charter school has the choice of providing transportation or shifting transportation so that it is undertaken by the resident school district (that is, St. Paul Public Schools (SPPS), the district in which TCGIS is located). Following a transportation committee recommendation, the TCGIS board chose not to utilize St. Paul Public Schools busing.[2]

One of the ways that state aid to charter schools differs relative to other public school districts is in funds for pupil transportation. State aid to public schools for pupil transportation has since 1995 been rolled into the general education aid formula; that is, as part of aid for school operations generally. However, for charter schools the general education aid is reduced if the charter school does not provide transportation (whether performed by the school itself or through contracted service).

The amount withheld from a charter school that does not handle school transportation is calculated based on a formula in state statute.[3] The reduction to TCGIS would amount to an expected $133,000 for the TCGIS fiscal year 2016 budget (based on the latest model and predictions). The entirety of funds associated with pupil transportation need not be used for transportation purposes, but a charter school accepting the funds is obligated to provide transportation – at least at a mandatory minimum level.

There are variety of associated transportation and finance requirements that are outside of the scope of this overview paper, but it is worth noting that TCGIS in previous years has utilized a waiver provision under state law that no longer appears to be a viable approach.

Bus Transportation Costs

Rather than a system of readily apparent upfront pricing, a contract for busing service is negotiated between a school and a busing company. Pricing depends on a host of factors including desired start

[2] This was due to factors that included (1) a likely late start time and shortened school day compared to the current TCGIS schedule, (2) probably incompatibilities between school calendars, and (3) busing service being limited to within St. Paul. (While the evaluation of transportation options is ongoing, there was a deadline for informing SPPS for the 2015-16 school year.)

[3] The calculation is essentially a percentage of the basic formula allowance component, which comes to about $274 per pupil unit.

and end times for the school day, the school calendar, and the specifics of routes. With these caveats in mind, a working estimation of costs based on initial information is on the order of $50,000 for one route (that is, both pickups and drop-offs) for the school year. A possibility being explored by the transportation committee is shared service with Great River School, a charter school located close to TCGIS. This could hold potential in ameliorating a portion of busing costs while expanding route coverage to additional TCGIS families.

There are various ways in which busing costs could be put into context within the TCGIS budget.

- **Share of the budget.** Using preliminary budget projections for the 2015-16 school year, spending on busing in the range of $50,000 to $70,000 would account for 1.0% to 1.4% of expected general fund revenues.
- **Share of revenue growth.** Revenue increase is anticipated for the 2015-16 budget, largely due to an increase in the student count. Again using a range of $50,000 to $70,000 in spending, busing would consist of 11.5% to 16.1% of just the *projected growth* in TCGIS revenues.[4]
- **Share of expenditures over time.** Historical context can be developed through an analytical exercise of reviewing busing costs relative to past budgets. The following table outlines busing as a percentage of general fund spending, using a higher-end busing expenditure amount, were busing provided over the 2009-10 through 2015-16 school years.

Busing and General Fund Expenditures Comparison

	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15[5]	2015-16[6]
Total expenditures	1,709,619	1,957,849	2,292,504	2,599,652	3,153,264	4,530,299	4,847,382
Busing	70,000	70,000	70,000	70,000	70,000	70,000	70,000
% of expenditures	4.1%	3.6%	3.1%	2.7%	2.2%	1.5%	1.4%

Considerations in TCGIS Busing Finance

In recent months, one of the concerns raised in TCGIS busing regards whether it would impact the classroom experience for students. Apprehension of this nature can be summarized as whether busing expenditures creates financial pressure on the school that could in turn lead to undesirable outcomes, like increased class size or teacher pay that lags peer schools.

Indeed TCGIS has limited dollars, and a given expenditure must be evaluated in the context of other budgetary requirements and goals. However, there are a number of considerations on the matter.

- **Obligations and expectations of a school.** While quality instruction obviously forms the core obligation of any school, there are numerous expectations around how a school should operate that extend beyond the classroom. Examples include holding open houses, hosting

[4] This is based on a preliminary budget projection revenue increase of about $434,000.

[5] Uses 2014-15 working budget as of March 31, 2015.

[6] Uses preliminary budget projections for 2015-16.

community-building activities like the end of year picnic, arranging after-school daycare and activities programs, and providing food services. Some of these undertakings are secondary in nature (recognizing likely variation across the TCGIS community as the relative importance of each), but are nonetheless commonly considered important if not necessary features of a successful, vibrant school. Busing can be viewed in this light. Busing holds several parallels, in particular, to food service: both carry a cost to the school's budget[7], both are optional services provided by the school, and in all likelihood neither serve the entire school population. Further, both services can be reasonably identified as commonly expected of a school.

- **Fungibility of general fund dollars.** As discussed previously, most of the school's revenues are not tied to a specific purpose or budgetary activity. Determining the use of available funds requires a set of budgeting decisions on both necessary and discretionary spending. As a result, it is problematic to identify busing expenditures as competing with any other single expenditure. Rather, busing is a potential expenditure among others, ranging from technology equipment to cleaning services (although it would be a new spending category). Teacher pay has been raised in some busing discussions, which at least in part is due to large share of the budget that is used in salaries and benefits.
- **Loss of revenue absent busing service.** As discussed above, even though the dollars are not dedicated solely to busing, TCGIS stands to lose a portion of state aid if the school does not provide pupil transportation. Put another way, if TCGIS receives aid associated with pupil transportation, the school must provide that service.
- **Other TCGIS fiscal concerns.** Some school expenditure categories are relatively stable or controllable, whereas the TCGIS faces some degree of challenge with respect to other budgetary areas. Among current areas of note are: (1) teacher pay and benefits, with unknown outcomes from current contract negotiations; (2) unknowns of some facility costs (that is, the school does not yet have even one full year of operating cost data for the building); and (3) maintaining the fund balance following state requirements and bond covenants.[8]
- **Economies of scale as the school grows.** While some costs grow with increases in the number of pupils, there are also economies of scale from student count growth—i.e., cost advantages that come with a larger school. Such advantages impact the fiscal viability of optional school services.
- **Options for increasing revenues.** Much of the focus in busing is on expenditures and spending on busing compared to other areas of spending. The other side of the budgeting equation is revenues, and there are possible avenues that could be explored to increase revenues. Merely as examples, ideas include fundraising efforts and a minimal increase in class size are two examples.

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[7] Food service expenditures and revenues are handled through a separate accounting fund in the school's financials, but the overall costs of the food service program are less than the program revenues, which necessitates a subsidy from the schools general fund. (This situation is typical for food service programs across school districts.) The anticipated cross subsidy for fiscal year 2015 is about $23,000.

[8] One way that the fund balance is monitored is as a percentage of revenues. Since TCGIS revenues are increasing annually, largely due to increased enrollment, a larger dollar amount for the balance is necessary to maintain the same fund balance percentage. Thus in dollar terms, maintaining a fiscally healthy the fund balance can be viewed as one of the pressures on school spending decisions.