



LEGISLATIVE REPORT

TRANSPORTATION REIMBURSEMENT GUIDELINES

Act 73 of 2025

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Purpose

Pursuant to [Section 44 of Act 73](#), the Agency of Education must submit a written report, on clear and equitable guidelines for minimum transportation to be provided and covered by transportation reimbursement grant under [16 V.S.A. § 4016](#) as part of Vermont's education transformation.

Overview

This report is preliminary and is intended to provide policy considerations that will serve as important inputs to the development of the final funding formula. These considerations can be further refined and modeled once the new district structures envisioned by Act 73 are established, allowing for more precise analysis aligned to the state's future governance framework. The report is organized to:

1. outline existing statutory requirements,
2. reflect stakeholder feedback on the barriers and opportunities related to transportation within Vermont's unique context, and
3. conclude with a brief literature review of state transportation policies that has informed the Agency's key considerations to guide legislative decision-making.

Transportation Requirements in Law

Requirements for transportation of students in Vermont are described through a combination of state and federal statutes, as outlined in [Appendix A](#). These laws collectively establish the legal framework governing student transportation in Vermont, including eligibility, local policy requirements, reporting obligations, reimbursement mechanisms, and special protections for specific student populations. Together, these provisions emphasize that student transportation is a discretionary but essential service intended to ensure equitable access to education.

Under 16 V.S.A. § 1222, Vermont school boards may provide total or partial transportation or boarding to students when deemed reasonable and necessary to enable school attendance. Districts are required to adopt and maintain a formal transportation policy that considers student-specific factors such as age, health, distance, and road conditions. These policies must be publicly accessible, and compensation to families is permitted only for actual transportation or boarding costs approved by the school board.

16 V.S.A. § 1224 requires superintendents to annually report transportation and boarding data and associated costs to both local school boards and the State Board of Education, ensuring transparency and statewide oversight of transportation expenditures.

16 V.S.A. § 1563, provides targeted transportation assistance to support student participation in career technical education (CTE) programs. Districts are reimbursed on a per-mile basis, adjusted annually for inflation, regardless of where the CTE program is located within or outside the district's service region.

16 V.S.A. § 4016 establishes the statewide transportation reimbursement system, under which school districts and supervisory unions receive grants covering 50 percent of allowable transportation expenditures for regular instructional programs, subject to annual funding caps and proportional reductions if statewide claims exceed available funds. The statute also authorizes additional reimbursement for extraordinary transportation costs arising from geographic or structural circumstances, such as transporting students to schools outside the district.

For students with an Individual Education Plan, transportation is a related service under the IDEA regulations (34 CFR §§300.34(a) and (c)(16)) and includes travel to and from school, between schools, and within school buildings, as well as the use of specialized or adapted equipment and safety supports. Safe transportation for students with exceptional needs requires an individualized plan that adapts services to the student's specific needs. This plan must be documented in an Individual Transportation Plan, discussed during the IEP process, and included in the student's IEP as a related service.

Finally, the McKinney-Vento Homeless Assistance Act (42 U.S.C. § 11432) imposes federal requirements to ensure that homeless students are not stigmatized and that transportation is provided, upon request, to and from the student's school of origin. The law mandates coordination between school districts to share responsibility and costs when a homeless student resides outside the district of origin, reinforcing educational stability as a federal priority.

Collectively, these laws balance local discretion with accountability, promote equitable access to education, and provide financial support mechanisms to offset transportation costs, particularly for vulnerable student populations and specialized educational programs.

The next section provides an indication of how this collection of obligations and requirements has been enacted in practice across Vermont's 119 districts and 52 Supervisory Unions and Supervisory Districts.

Transportation Reimbursement Payments

The Agency of Education collects specific transportation cost data from supervisory unions and school districts (SU/SDs) each fall to determine the transportation reimbursements. The amount of state transportation aid was determined by statute in 1997 and is pegged to an inflation index. The base year was \$10 million. The current year available aid is \$25.6 million, which is fully allocated to each SU/SD proportionally based on the allowable costs each SU/SD submits. All Vermont SU/SD's apply for and

receive state aid. Extraordinary transportation aid is provided to a very few districts that have geographic needs or don't operate schools, per [16 V.S.A. § 4016\(c\)](#). With extraordinary aid, total transportation aid from the Education Fund totals \$26.1 million.

Stakeholder Feedback

Feedback gathered during the Listen and Learn Tour, early modeling of projected transportation cost increases during the 2025 legislative session, and more recent survey data from district business managers consistently underscore its significance. Transportation costs will have direct implications for the final funding model, and decisions regarding the formation of larger districts are necessary to finalize reliable cost estimates.

In fall and winter of 2024, the Agency of Education engaged in a Listen and Learn Tour across Vermont to learn directly from Vermont education leaders and educators, community members, families, students and other key stakeholders about the challenges and opportunities of our system. One of the key topics that was discussed at every meeting was “What are the conditions for every student to succeed in Vermont?” Transportation was an important concern for attendees who recognized that it was a driver of equity and access within our system. Below is a summary of the transportation-related takeaways from the Listen and Learn Tour:

- **Access & Attendance:** Transportation is essential for students simply to reach school and must be treated as a core component of access.
- **Educational Opportunity:** Getting students to specialized programs and experiences depends on transportation options beyond traditional bus routes.
- **Rural Equity:** Transportation challenges disproportionately affect rural and underserved communities where public transit is limited.
- **Equity Lens:** Reliable transportation supports broader equity goals, helping close gaps in access to programs, services, and opportunities.
- **Funding Link:** Transportation needs to intersect with conversations about budgets and resource allocation across districts and regions.

What became evident is that the complexities of governance, issues of scale and sparsity, and labor shortages that appear at the center of so many conversations about the Vermont education system, hold true for transportation as well.

Transportation remained a key focus of the 2025 legislative session. As originally introduced, [H.454](#) proposed increased allowable reimbursement through a categorical grant with the goal of full funding, while acknowledging that additional modeling would be required to reflect future system design. The final formula currently under review by the Joint Fiscal Office assumes existing levels of transportation spending, reflecting the understanding that further legislative policy decisions—particularly regarding district structure and scope—will be necessary to model expanded coverage and finalize cost impacts as Act 73 is implemented.

Following the passage of Act 73, the Agency conducted a survey of Business Managers to gather additional qualitative descriptions of what transportation services are currently offered by districts and considerations for policy-makers around improvements or needs under a transformed system. The survey was designed to capture pertinent input based on the major areas of inquiry identified through legislative deliberations. Findings helped the Agency focus its literature review of state transportation policies and their relevance to Vermont's context.

Through the survey, supervisory unions and school districts consistently emphasized the severe, statewide shortage of bus drivers as the most significant challenge impacting school transportation. Districts reported that the requirement for a CDL license, combined with significantly higher wages available in the private sector, makes it increasingly difficult to recruit and retain drivers. Many districts cannot fill all routes every day, and several noted that even if additional transportation mandates were imposed, they currently lack the personnel necessary to meet them. This workforce constraint is particularly acute in rural areas, where alternative vendors or backup drivers are often nonexistent.

Districts also highlighted the rapidly rising and unpredictable cost of transportation services, driven in part by limited vendor competition. Several supervisory unions described year-over-year cost increases ranging from 20 to 35 percent, with some projecting even steeper future growth. In regions served by only one transportation contractor, districts find themselves negotiating from a position of limited leverage, contributing to disproportionately high per-pupil costs. Many respondents suggested that statewide contracting, regional consortia, or BOCES-style models could help mitigate financial pressures and create more uniform pricing.

A number of districts raised equity concerns, emphasizing that transportation needs extend beyond elementary grades. In many communities, particularly those with large numbers of working families or limited vehicle access, older students rely just as heavily on school-provided transportation. Respondents noted that a one-car household, for instance, may struggle equally to transport a high school student as an elementary student. For this reason, many districts expressed that if cost were not a barrier, offering transportation to all grades would be the most equitable and family-supportive approach.

Geography and rural road conditions also emerged as major considerations. Districts described long distances, isolated homes, and unpaved or seasonally hazardous back roads that buses must navigate. These factors significantly increase travel times, fuel use, and fleet wear, and can make door-to-door transportation impractical or unsafe. Many districts recommended establishing clear statewide definitions of "distant students" and "safe walking routes," as well as allowing for centralized pickup points and walking zones where appropriate.

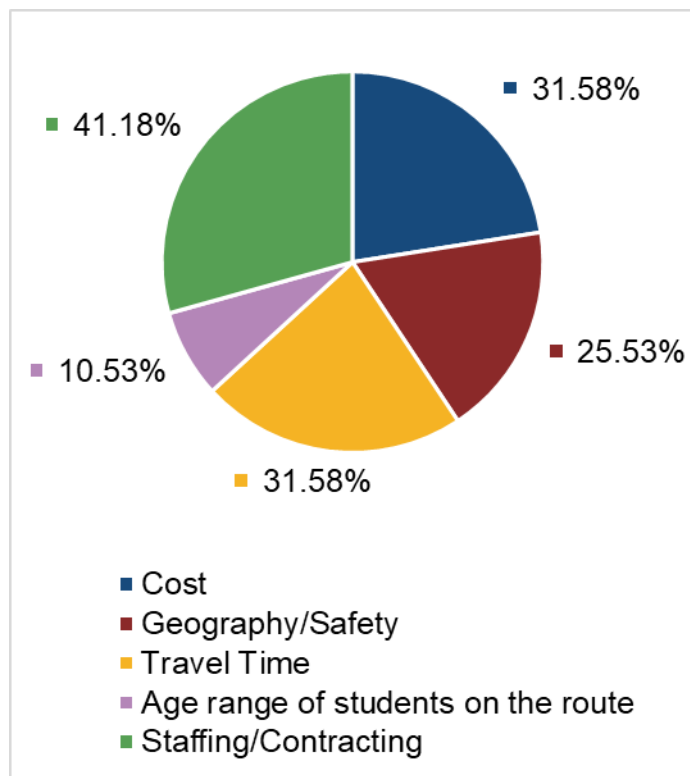
Finally, districts noted significant logistical and financial challenges associated with McKinney–Vento homeless transportation requirements, particularly when students change districts or must be transported across long distances. These situations often arise unexpectedly, creating cost volatility and operational strain. Respondents

suggested clearer statewide processes and timelines to support compliance while maintaining reasonable travel expectations for students.

Across SU/SDs, there was broad agreement that if cost were not a limiting factor, the most equitable minimum standard would be for districts to provide transportation for all students in all grades. When asked what their recommendation would be for minimum transportation requirements if cost was not a factor, 82.35% of SU/SDs would choose to require districts to provide transportation to all grades. 11.76% identified a preference for providing transportation to all elementary and middle school students. Respondents noted that transportation needs do not diminish as students age; many families rely on school transportation for high school students just as much as for younger children. Districts stressed that universal access would best support working families, ensure equitable participation in school, and remove barriers related to household vehicle availability or scheduling constraints. However, even those who supported universal service emphasized that any state requirement must be accompanied by adequate funding and realistic implementation timelines.

What SU/SDs Believed Were the Most Important Considerations When Contemplating a Statewide Transportation Requirement

Districts also expressed strong views about the need for clear exemptions and definitions if minimum requirements are established. Many recommended that students living within a defined walking radius with safe pedestrian infrastructure should not automatically be entitled to bus service. Several respondents warned that without explicit definitions of “distant students,” “hardship waivers,” and “safe walking routes,” districts could face inconsistent expectations, escalating costs, and operational strain. There was broad support for permitting centralized pickup points rather than door-to-door service and for allowing districts to design routes that balance efficiency and student needs.



Transportation in Other States: Brief Literature Review

National research demonstrates that transportation funding is a critical but unevenly supported component of education funding. A 50-state survey of transportation policies¹ finds wide variation in how states structure, fund, and administer transportation aid. States rely on a mix of categorical funds, foundation formula inclusions, reimbursements, and other types of formulas with significant differences in reimbursement rates and eligibility. While some states reimburse nearly all allowable transportation costs, many provide only partial funding or cap reimbursement, often subject to annual appropriations. As a result, transportation funding adequacy and predictability vary substantially across the 50 states ([Appendix B](#)).

Student density and geography emerge as the dominant cost drivers, particularly in rural and isolated school districts. Rural states more frequently employ formulas based on miles traveled, land area, or route length and tend to provide higher state cost shared, recognizing that long routes, sparse ridership, and limited local tax capacity create unavoidable costs. In contrast, urban oriented funding models rely more heavily on per pupil or enrollment-based assumptions, often embedding transportation within general education aid. These models assume operational efficiencies that do not exist in low density environments and can disadvantage rural districts when geographic adjustments are insufficient.

Rising fuel prices, labor shortages, vehicle replacement needs, and expanded service demands (such as transportation for students with disabilities, school choice programs, and homeless students) have eroded the purchasing power of many state aid programs. In numerous states, mileage rates and reimbursement caps have remained static for years, undermining the intent of equity-based formulas and shifting a growing share of costs to local districts.

Guiding Principles for Policy-Makers

Collectively, the research frames student transportation not as a discretionary operational expense, but as a foundational access service tied directly to educational equity, safety, and legal compliance. When transportation funding fails to account for geography, density, and cost growth, it disproportionately burdens rural and fiscally constrained districts and threatens consistent access to educational opportunity. Effective transportation policy requires intentional geographic differentiation, regular cost updates, and a clear state commitment to supporting unavoidable transportation costs.

¹[A 50-State Survey of School Finance Policies and Programs](#)
[Miles to Go: Bringing School Transportation into the 21st Century](#)
[The Challenges and Opportunities in School Transportation Today](#)

Recommendations and Key Considerations

As the state contemplates changes to governance structure and scale, impacts on the transportation system must be included. There are clear opportunities to reduce redundancy, complexity and competition for scarce resources within larger districts, which should result in reductions in costs. By rebuilding the education transportation system within larger districts, districts can more efficiently utilize the limited labor pool of drivers and increase access for students. Within a new governance structure of fewer, larger districts, the state might contemplate statewide requirement for districts to provide transportation to all students who live one mile from the school (elementary) and two miles from the school (secondary). Transportation policy should also consider exceptions based on hazardous walking conditions, given Vermont's unique terrain and combination of rural and more densely populated regions. Additionally, transportation boundaries should be considered when contemplating the choice policy within larger districts.

The increased costs associated with this expanded access must be modeled within a new governance structure to ensure adequate resourcing and this modeling should also contemplate efficiencies gained through a reduction in duplication and competition. Critically, the state may need to engage more directly to support critical workforce shortages for drivers, as part of any new requirements.

In the case of transportation, the connections between funding, governance and quality are inextricable. Changes to the transportation system, including the funding mechanism, should be contemplated within changes to governance. To require universal transportation within our current complex and widely variable system would likely result in increased costs or simply not be viable due to labor shortages. The next steps to explore a requirement for universal transportation services should include:

- Financial modeling within the new governance structure, based on current costs, an understanding of how districts currently provide services (e.g. own their own fleet versus contracting), and the specific costs related to rurality and terrain in Vermont;
- An exploration of different transportation models used in similar states (e.g. statewide contract, regional service delivery, etc.),
- Development of a transportation policy that contemplates requirements within a system with school choice; and
- An understanding of how transportation aid will be addressed within the new foundation formula established in Act 73 (i.e. statewide contract paid for through General Fund versus reimbursement grant formula based on number of students served and rurality or scarcity factors). The current reimbursement grant model, whereby districts receive a 50% reimbursement (plus extraordinary costs) should be evaluated within a foundation formula model and other funding methods should be considered as part of a comprehensive transformation plan.

This work must include business officials and other experts from school districts with knowledge and experience of the current system, along with national experts who can provide a broader perspective and evaluation of any proposed models in Vermont. In addition, input from the Department of Labor and other state agencies and departments will be important to address workforce shortages in education transportation as a key area of concern in need of a statewide or regional solution. It is clear that districts share a strong commitment to providing every student with transportation to ensure access to their school. By making necessary changes to our funding and governance structures, Vermont has an opportunity to increase access and create a family and student-centered education system through an equitable and modernized education transportation system.

Appendix A

16 V.S.A. § 1222: Students who may be furnished transportation

a) Each legal pupil, as defined in section 1073 of this title, who is entitled or required to attend an elementary school or a secondary school may be furnished with total or partial transportation to school, or board, *as in the opinion of the school board is reasonable and necessary to enable the student to attend school* [emphasis added]. Each school board shall adopt a transportation policy for students required to attend school in accordance with the procedure specified in subdivision 563(1) of this title. The policy shall consider the transportation needs of students, including such factors as the age and health of a student, distance to be travelled, and condition and type of highway. The policy and any subsequent amendments shall be filed in the principal's office in each school in the district. Compensation may be paid to parents or guardians and shall be payable only in return for actual transportation or board as shall be stipulated by the school board.

16 V.S.A. § 1224: Reports

The superintendent shall include in his or her annual report to the school board of each district data regarding the students in the district who have been transported or boarded under the provisions of this chapter and the associated expenses. Annually, at a time fixed by the State Board, the superintendent shall report to the Board regarding the students transported or boarded under the provisions of this chapter and the associated expenses.

16 V.S.A. § 1563: Transportation Assistance (Career Technical Education)

(a) It is the policy of the General Assembly to encourage Vermont students to enroll in career technical education courses. In furtherance of that policy, transportation assistance is provided for in this section to facilitate the enrollment of Vermont students in career technical education programs.

(b) Transportation assistance shall be paid from the Education Fund to school districts that provide transportation to and from career technical education programs, regardless of whether the program is offered in a career technical center in the district's designated service region or regions or is offered within the career technical center region at a location other than at a career technical center. Assistance shall be \$1.50 per mile for actual number of miles traveled, in 1998 dollars adjusted annually by the annual price index for state and local government purchases of goods and services. Payments shall be made on or before December 10 and June 10. Requests submitted on or following May 15 shall be reimbursed in the next payment.

16 V.S.A. § 4016: Reimbursement for transportation expenditures

(a) A school district or supervisory union that incurs allowable transportation expenditures shall receive a transportation reimbursement grant each year. The grant

shall be equal to 50 percent of allowable transportation expenditures; provided, however, that in any year the total amount of grants under this subsection shall not exceed the total amount of adjusted base year transportation grant expenditures. The total amount of base year transportation grant expenditures shall be \$10,000,000.00 for fiscal year 1997, increased each year thereafter by the annual price index for state and local government purchases of goods and services. If in any year the total amount of the grants under this subsection exceed the adjusted base year transportation grant expenditures, the amount of each grant awarded shall be reduced proportionately. Transportation grants paid under this section shall be paid from the Education Fund and shall be added to education spending payment receipts paid under section 4011 of this title.

(b) In this section, “allowable transportation expenditures” means the costs of transporting students to and from school for regular classroom services and shall not include expenditures for transporting students participating in curricular activities that take place off the school grounds or for transporting students participating in cocurricular activities. The State Board shall further define allowable transportation expenditures by rule.

(c) A district or supervisory union may apply and the Secretary may pay for extraordinary transportation expenditures incurred due to geographic or other conditions such as the need to transport students out of the school district to attend another school because the district does not maintain a public school. The State Board shall define extraordinary transportation expenditures by rule. The total amount of base year extraordinary transportation grant expenditures shall be \$250,000.00 for fiscal year 1997, increased each year thereafter by the annual price index for state and local government purchases of goods and services. Extraordinary transportation expenditures shall not be paid out of the funds appropriated under subsection (b) of this section for other transportation expenditures. Grants paid under this section shall be paid from the Education Fund and shall be added to education spending payment receipts paid under section 4011 of this title.

[42 U.S.C. §11432\(g\)\(1\)\(J\)\(iii\)](#): McKinney Vento Homeless Assistance Act

(J) Assurances that the following will be carried out:

(i) The State educational agency and local educational agencies in the State will adopt policies and practices to ensure that homeless children and youths are not stigmatized or segregated on the basis of their status as homeless.

(ii) The local educational agencies will designate an appropriate staff person, able to carry out the duties described in paragraph (6)(A), who may also be a coordinator for other Federal programs, as a local educational agency liaison for homeless children and youths.

(iii) The State and the local educational agencies in the State will adopt policies and practices to ensure that transportation is provided, at the request of the parent or

guardian (or in the case of an unaccompanied youth, the liaison), to and from the school of origin (as determined under paragraph (3)), in accordance with the following, as applicable:

(I) If the child or youth continues to live in the area served by the local educational agency in which the school of origin is located, the child's or youth's transportation to and from the school of origin shall be provided or arranged by the local educational agency in which the school of origin is located.

(II) If the child's or youth's living arrangements in the area served by the local educational agency of origin terminate and the child or youth, though continuing the child's or youth's education in the school of origin, begins living in an area served by another local educational agency, the local educational agency of origin and the local educational agency in which the child or youth is living shall agree upon a method to apportion the responsibility and costs for providing the child or youth with transportation to and from the school of origin. If the local educational agencies are unable to agree upon such method, the responsibility and costs for transportation shall be shared equally.

Appendix B

The following information was prepared by Sam Nicholson at Education Commission of the States on 11/21/2025 on behalf of the Vermont Agency of Education.



Question:

You asked about minimum state requirements for school districts to provide transportation to their students, including any information related to cost and state transportation assistance. You also expressed interest in examples of transportation requirements for public school districts sending students to private schools when the public district does not serve certain grades.

Our Response:

The following information request provides resources related to transportation finance:

- (1) an overview of state K-12 transportation mechanisms,
- (2) examples of statutory requirements for transportation of public and private school students, and
- (3) recent legislation enacted by states in the past three years related to transportation funding.

Transportation Funding

The [50-state survey](#) of school finance policies and programs published by Professor Deborah Verstegen at the University of Nevada provides an overview of transportation finance. The survey has a [section](#) specifically dedicated to reviewing transportation policies for all 50 states. The survey identifies [six state approaches](#) (p. 14) for funding public school transportation programs:

- **In Funding Formula:** transportation funding is provided by the state's primary funding formula
- either in the form of a separate calculation or part of a block grant to districts.
- **Density Formulas:** states use formulas to account for bus route miles, pupil per bus route mile, or square miles in the school district.
- **Full Cost Reimbursement:** states fully reimburse transportation costs incurred by districts.
- **Allowable reimbursement:** states only reimburse districts for approved or allowed costs by state policy.
- **Equalized Reimbursement:** states reimburse districts varying amounts according to how much local revenue districts generate, with more local revenue yielding less state transportation cost reimbursement and vice versa.

- **Per Pupil Funding:** states provide districts transportation funding for each transported pupil.

Transportation Requirements in Statute

Florida

Florida [requires](#) districts to provide transportation for students who live two miles or more from their assigned school or who face hazardous walking conditions. The state funds transportation through a categorical allocation within the Florida Education Finance Program, based on a [formula](#) that includes ridership counts, miles traveled and bus occupancy.

Illinois

Illinois [statute](#) guarantees transportation for students living 1.5 miles or more from school, unless adequate public transit exists. The state provides [reimbursement](#) for “allowable” transportation costs, including special education transportation. Illinois also [requires](#) districts to transport nonpublic school students residing within district boundaries on an equal basis with public school students.

Iowa

Iowa [mandates](#) transportation for elementary students living more than two miles and secondary students living more than three miles from school. The state [reimburses](#) districts for eligible transportation expenses based on actual cost per pupil, with additional support for high-cost transportation districts through a supplementary weight. Iowa also requires transportation to accredited nonpublic schools within certain geographic limits, or the district may provide a parent reimbursement in lieu of transportation.

Massachusetts

In Massachusetts districts are [responsible](#) for providing transportation for K-6 students living more than 1.5 miles from school. The state offers regional transportation reimbursement for regional school districts, funded annually through line-item appropriations. Districts [must](#) also provide transportation to nonpublic school students if the district provides transportation for public school students along comparable routes.

Minnesota

Minnesota [requires](#) districts to provide transportation for students living beyond one mile (for elementary students) or two miles (for secondary students), or when hazardous conditions exist. The state funds transportation through a dedicated transportation sparsity revenue formula designed to support rural districts with long bus routes. Districts [must](#) also transport nonpublic school students within the district on the same basis as public school students.

Pennsylvania

Pennsylvania [requires](#) districts that provide transportation for public school students to also transport nonpublic school students up to 10 miles outside district boundaries. The state provides transportation reimbursement through its pupil transportation subsidy formula, which includes allowable cost reimbursement and efficiency incentives.

Wisconsin

In Wisconsin, districts are [required](#) to transport students living two miles or more from school. The state reimburses districts through a formula using statutory per-pupil reimbursement tiers. For private school students, districts [must](#) transport them if they reside within the district and the private school is within the district or within the same transportation zone.

Recent Legislation

States have enacted legislation in recent years to make changes to how they allocate transportation funds. ECS has identified the following state examples:

- **Arizona** ([H.B. 2906](#) - 2024 session): Increases the transportation support level formula per route-mile based on the daily route mileage per student transported. The support ranges from \$2.42 to \$2.95 per route mile.
- **Indiana** ([H.B. 1380](#) - 2024 session): Directs the secretary of education to prepare and submit a plan to establish a pilot program concerning student transportation to the general assembly. The secretary of education published the [report](#) in November 2024.
- **Michigan** ([S.B. 63](#) - 2023 session): Authorizes a sinking fund tax to be used for the acquisition of student transportation vehicles. Sinking funds support pay-as-you-go funding, rather than relying on bonded debt to pay for capital projects.
- **Oklahoma** ([H.B. 2902](#) - 2023 session): Updates the formula transportation factor in calculating the transportation supplement for the K-12 funding allocation to districts by increasing the factor to 2.0 from 1.39.
- **Oregon** ([H.B. 3014](#) - 2023 session): Directs the state board of education to adopt rules to determine the amounts to reimburse school districts for approved transportation costs. The rules adopted must allow for the reimbursement of alternative transportation costs as approved transportation costs in an amount that does not exceed 5% of the school district's transportation grant under distributions from the State School Fund. There is an indeterminate fiscal impact.