MAXIMIZING

YOUR DISTRICT'S DOLLARS

FROM THE PUPIL

TRANSPORTATION CLAIM

Introductions

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UNDERSTANDING THE RULES

- BEFORE YOU CAN ATTEMPT TO MAXIMIZE THE CLAIM DOLLARS YOU MUST BE ABLE TO NAVIGATE ISBE'S HEAFTY RULES MANUAL AND GUIDELINES

- THEN BEFORE YOU CAN **APPLY** THEM, YOU MUST UNDERSTAND THE ABSOLUTES, THE SOMETIMES AND THE MAYBES. THE CONTRADICTIONS, THE NUANCES AND THE "WE'RE NOT SURES".

- ISBE PUBLISHES A SET OF CLAIM "RULES" EVERY YEAR AS PART OF THE CLAIM FILING PROCESS

- IN ORDER TO UTILIZE EVERY OPPORTUNITY, YOU MUST BECOME INTIMATELY FAMILIAR WITH WHAT ISBE **ALLOWS, DOESN'T ALLOW** AND MOST OF ALL, **DOESN'T ADDRESS** BECAUSE LIKE EVERY SET OF RULES, EVERY POSSIBLE SCENARIO CANNOT BE ADDRESSED

UNDERSTANDING THE RULES

- REMEMBER, ONLY MONEY SPENT OUT OF THE 40 FUND, WITH MINOR EXCEPTIONS, IS ALLOWED TO BE CLAIMED. EXCEPTIONS:
    - FUNDS SPENT FROM O & M [FUND 20 – 2540 ACCTS] FOR UTILITIES OR OTHER TRANSPORTATION RELATED ITEMS CAN BE PRORATED BASED ON SQUARE FOOTAGE PRORATION
    - FUNDS SPENT FROM THE EDUCATION FUND [FUND 10 – 2540 ACCTS] MAY ALSO BE PRORATED BASED ON SQUARE FOOTAGE PRORATION
    - FUNDS SPENT FROM THE 60 FUND FOR TRANSPORTATION CAPITAL EXPENDITURE MUST BE PAID FROM FUND 60 BUT IS PERMITTED TO BE DEPRECIATED IN FUND 40
    - O&M EXPENSES FOR TRANSPORTATION PROJECTS MUST BE PAID FROM 20 BUT IS PERMITTED TO BE DEPRECIATED IN FUND 40
- HOWEVER, KNOWING WHEN TO SPEND MONEY OUTSIDE OF THE 40 FUND CAN SOMETIMES BE MORE BENEFICIAL THAN SPENDING MONEY FROM THE 40 FUND (more on this later)

UNDERSTANDING THE CLAIMS PROCESS

- DISTRICTS HAVE THE RIGHT TO DETERMINE HOW AND FROM WHICH FUNDS DOLLARS ARE SPENT WITHIN ISBE RULES

- FOR PAYMENT OF CLAIMS, REGULAR AND VOCATIONAL EXPENDITURES ARE LUMPED TOGETHER AND PAID TOGETHER

- SPECIAL ED EXPENSES ARE PAID SEPARATELY AT A DIFFERENT, HISTORICALLY HIGHER, PRORATION RATE THAN REGULAR AND VOCATIONAL EXPENSES. HOWEVER, FOR THE FORESEEABLE FUTURE SPED RATES ARE LIKELY TO BE LOWER THAN REGULAR AND VOCATIONAL

UNDERSTANDING THE CLAIMS PROCESS (CONT'D)

- DISTRICTS MUST UNDERSTAND HOW AND WHY ISBE CALCULATES "COST PER STUDENT" AND SUBSEQUENTLY THE COST TO TRANSPORT INELIGIBLE STUDENTS
  - IF YOUR DISTRICT TRANSPORTS STUDENTS LIVING < 1.5 MILES FROM SCHOOL AND THEY DO NOT HAVE AN APPROVED HAZARDOUS ROUTE BETWEEN THEM AND THE SCHOOL, THEY SHOULD BE LISTED ON LINE 1B AND THEIR STUDENT ENROLLMENT DAYS SHOULD BE ENTERED ON 5B.
  - LINE 7B WILL CALCULATE THE AVERAGE NUMBER OF STUDENTS IN THAT CATEGORY.
  - LINE 28 *(COMPUTATION SUMMARY PAGE)* WILL BE THE CALCULATION FOR "**COST PER STUDENT"**
  - LINE 29 WILL MULTIPLY LINE 7B TIMES LINE 28 TO DETERMINE YOUR **"COST TO TRANSPORT INELIGIBLE STUDENTS"** AND THAT AMOUNT WILL BE A STRAIGHT DEDUCTION TO YOUR CLAIM – NO PRORATION!

BUILDING PARTNERSHIPS

- TRANSPORTATION DIRECTORS NEED TO HAVE STRONG PARTNERSHIPS WITH PEERS AND SUPERIORS INCLUDING OPERATIONS FOR BUILDING AND GROUNDS MAINTENANCE
  - ➢ CERTAIN PROJECTS MAY REQUIRE **“CREATIVE FINANCING”** TO BENEFIT THE DISTRICT. ITEMS SUCH AS FENCING, PAVING OF LOTS, LIGHTING, GRAVEL, ETC. MAY BE CLAIMED IF THEY CAN ARGUABLY BE ALLOCATED TO TRANSPORTATION. SOMETIMES ONLY A PERCENTAGE OF THE OVERALL PROJECT MAY BE CLAIMED.

I RAN ACROSS A CASE WHERE A DISTRICT NEEDED TO RESURFACE THEIR SCHOOL PARKING LOT. WITH SOME CREATIVE STRATEGIES, THEY WERE ABLE TO REROUTE THEIR BUSES THROUGH THE LOT FOR PICK UP AND DROP OFF, CREATING **A TRANSPORTATION NEED** FOR THE RESURFACING TO ENSURE STUDENT SAFETY. AS A RESULT, THE PROJECT WAS ABLE TO BE DEPRECIATED PER ISBE RULES. **TRANSPORTATION SITE IMPROVEMENTS ARE FUNDED THROUGH FUND 20 BUT DEPRECIATED THROUGH TRANSPORTATION.**

BUILDING PARTNERSHIPS

- TRANSPORTATION DIRECTORS NEED TO HAVE STRONG PARTNERSHIPS WITH PEERS AND SUPERIORS. THIS INCLUDES CFO/CSBO FOR ASSISTANCE IN DEVELOPING FISCAL STRATEGIES TO MAXIMIZE CLAIM DOLLARS
  - CFO/CSBO SHOULD BE YOUR FIRST SOUNDING BOARD WHEN DISCUSSING CREATIVE OPPORTUNITIES TO MAKE SURE FUNDING MECHANISMS ARE AVAILABLE AND APPROPRIATE
  - SOMETIMES OUT OF THE BOX **“CREATIVE FINANCING”** NEEDS A CHEERLEADER AT THE FINANCE COMMITTEE, WITH THE SUPERINTENDENT, BOARD MEMBERS, ETC.
  - A CFO/CSBO WHO UNDERSTANDS THE CLAIMS PROCESS CAN ALSO ASSIST IN RUNNING INTERFERENCE WITH PEERS TO GET BUY IN AND SUPPORT
  - THE CFO/CSBO ARE OFTEN THE FIRST POINT OF CONTACT FOR AUDITORS AS WELL

BUILDING PARTNERSHIPS

- TRANSPORTATION DIRECTORS NEED TO HAVE STRONG PARTNERSHIPS WITH PEERS AND SUPERIORS
- INCLUDING ATHLETIC DIRECTORS:
  - MANY CREATIVE OPPORTUNITIES TO MAXIMIZE THE CLAIM PROCESS OCCUR SINCE ALL ATHLETIC TRIPS ARE NONREIMBURSABLE. ITEMS SUCH AS THE PURCHASE OF ACTIVITY BUSES **(NOT UTILIZING 40 FUNDS)**, UTILIZATION OF COACHES TO DRIVE NON-SCHOOL BUS TRANSPORTATION, ETC.
    - AVOID SEGREGATING NR EXPENSES LIKE SALARY AND BENEFITS BECAUSE CLAIM FORMULA ALREADY DEDUCTS BASED ON MILEAGE PERCENTAGES

BUILDING PARTNERSHIPS

- TRANSPORTATION DIRECTORS NEED TO HAVE STRONG PARTNERSHIPS WITH PEERS AND SUPERIORS

- INCLUDES SUPERINTENDENTS AND BOARDS OF EDUCATION:
  - BUILDING TRUST WITH THE DECISION MAKERS IS A MUST AS THEY WILL ULTIMATELY DECIDE WHETHER OR NOT YOUR IDEAS ARE APPROVED

DETERMINE WHERE YOU ARE LOSING MONEY

- **EVALUATE WHERE YOUR DISTRICT IS LEAVING MONEY ON THE TABLE**
  - REVIEW THE CLAIM COMPUTATION SUMMARY AND DETERMINE EACH AREA WHERE THE CLAIM IS REDUCED *(many will be outside of your control)*
    - **COST TO TRANSPORT INELIGIBLE STUDENTS LINE 28 & 29 (students less than 1 ½ miles without a hazardous route designation, exclusive PreK or SS)**
    - IF YOU TRANSPORT ANY PREK ON EXCLUSIVE ROUTES, (USUALLY 50% OF THE TOTAL) THAT PREK HEADCOUNT SHOULD BE LISTED ON LINE 3E
    - ALL NR HEADCOUNT * LINE 28 = **COST TO TRANSPORT INELIGIBLE STUDENTS =** 100% REDUCTION TO CLAIM – **NO PRORATION!!**

DETERMINE WHERE YOU ARE LOSING MONEY

- REVIEW THE CLAIM UNDER THE NR MILEAGE AND EVALUATE ALL ASPECTS OF THE MILES BEING CLAIMED AS NR
  - PREK EXCLUSIVE (NR REG RTE), EXTRA-CURRICULAR (NR FT), SUMMER SCHOOL (NR REG RTE – NON-SPED)
  - NON-TRANSPORTATION VEHICLES (DRIVER'S ED, MAINTENANCE, VANS, FLEET CARS) PURCHASED FROM 40 FUND AND BEING DEPRECIATED ARE REQUIRED TO CLAIM MILEAGE AS NR REGARDLESS OF USE UNLESS USED FOR SPED OR ELIGIBLE SHUTTLES
  - CONSIDER MOST DISTRICTS OPERATE SOMEWHERE OVER $5 PER MILE. IF YOU PURCHASE AN AB FOR $100K, YOU WILL RECEIVE APPOROX. $12.8K PER YR FOR DEPRECIATION FOR 5 YRS. (80% * 80%) BREAK EVEN WOULD BE 2,560 MILES PER YR PER AB @ $5 PER MILE. AFTER 5 YRS BREAK EVEN IS 0!
- DEVELOP POLICIES TO ELIMINATE <u>INELIGIBLE FIELD TRIPS</u> – THOSE THAT ARE LEAVING EARLY, RETURNING LATE, WEEKENDS, ETC.

DETERMINE WHERE YOU ARE LOSING MONEY

- IF TRANSPORTING INELIGIBLE STUDENTS IS COSTING YOUR DISTRICT MONEY, DEVELOP STRATEGIES TO REDUCE THAT EXPENSE
  - IF POSSIBLE, ESTABLISH HAZARDOUS ROUTES THROUGH IDOT (https://www.isbe.net/Documents/safety_busing_instruct.pdf)
  - MODIFY CURRENT DISTRICT POLICIES TO ADDRESS TRANSPORTION OF INELIGIBLE STUDENTS – EXAMPLES MAY INCLUDE –
    - CONSIDER CROSSING GUARDS AT TROUBLESOME OR DIFFICULT AREAS
    - CREATE SAFE WALK ZONES FOR NON-HAZARDOUS ROUTE STUDENTS
    - NO SUMMER SCHOOL TRANSPORTATION
    - CONSIDER ALTERNATIVES TO EXCLUSIVE PREK TRANSPORTATION

DEVELOPING STRATEGIES

- DEVELOPING STRONG FISCAL STRATEGIES STARTS WITH DEVELOPING STRONG RELATIONSHIPS WITH THE CFO/CSBO
- STRATEGIES SHOULD ALWAYS KEEP IN MIND ISBE “RULES” AND POLICIES AND USE THOSE TO GUIDE YOUR DISTRICT’S POLICIES TO BENEFIT YOUR DISTRICT
- STRATEGIES SHOULD ALWAYS FIRST LOOK FOR WAYS TO USE YOUR CURRENT PROCESSES AND MAKE THEM “CLAIMABLE”
    - WE HAVE FOUND ON OCCASION SLIGHT OR MINOR ADJUSTMENTS TO OUR PROCESSES WERE ALL THAT WERE NECESSARY TO ALLOW THEM TO BE CLAIMABLE. THIS STARTED BY BECOMING VERY FAMILIAR WITH THE CLAIM RULES

DEVELOPING STRATEGIES (CONT'D)

- ONCE CURRENT PROCESSES HAVE BEEN EVALUATED, THEN DEVELOP STRATEGIES THAT CHANGE CURRENT UNCLAIMABLE PRACTICES/POLICIES
  - ONE EXAMPLE OF THIS IS WHEN WE CHANGE PAYROLL ACCOUNTS FOR SPECIAL ED AND VOCATIONAL STAFF OR REQUIRE THEM TO CHANGE PAY CODES DURING THE DAY TO MAXIMIZE THE BENEFIT
  - IF YOUR DISTRICT PROVIDES PRE-K, TRY TO MINIMIZE "EXCLUSIVE" PRE-K BUS RTES AS THESE ARE NR *(REMEMBER ONLY COUNT THE MILES AS NR NOT THE EXPENSES)*
- STRATEGIES CAN BE BOTH SHORT AND LONG TERM
  - SHORT TERM MIGHT BE A SINGLE OPERATIONS PROJECT WHILE LONG TERM MIGHT BE THE RECATEGORIZATION OF PAYROLL ACCOUNTS
- ALWAYS BE ABLE TO "DEFEND" THE STRATEGY BY CITING AN ISBE "RULE" OR YOUR THOUGHT PROCESS THAT MAKES IT VALID

REAPING YOUR REWARDS

IN ORDER FOR DISTRICTS TO REAP THE REWARDS FOR LEARNING THE RULES, UNDERSTANDING THE CLAIMS PROCESS, BUILDING PARTNERSHIPS, EVALUATING LOSES AND DEVELOPING STRATEGIES, THEY MUST IMPLEMENT AND APPLY EVERYTHING TOGETHER AS AN OVERALL COHESIVE DISTRICT APPROACH.

THE FOLLOWING SLIDES ARE SOME EXAMPLES OF POLICIES AND STRATEGIES USED BY OTHER DISTRICTS. THEY MAY OR MAY NOT BE APPLICABLE FOR YOUR DISTRICT, BUT SHOULD BE USED AS EXAMPLES OF HOW SOME DISTRICTS WORKED TO MAXIMIZE THEIR CLAIM DOLLARS OR MISSED OPPORTUNITIES BECAUSE OF THEIR STRATEGIES.

REAPING YOUR REWARDS

- ONE OF THE SINGLE BIGGEST REDUCTIONS TO TRANSPORTATION CLAIMS ARE **NON-REIMBURSABLE MILES**. MANY DISTRICTS OPERATE AT BETWEEN 20% AND 30%. YOUR GOAL SHOULD BE TO HAVE NO MORE THE 15% NR MILES (Consider a 1% reduction [just 100 miles for every 10,000 traveled] on a $2MM claim is equivalent to $20,000)
  - ➢ START BY ANALYZING YOUR DISTRICT'S NR MILES AND DEVELOP STRATEGIES TO REDUCE THEM – SOME POSSIBLE EXAMPLES COULD BE:
    - ✓ DISTRICT POLICIES LIMITING DISTANCE FOR EXTRA CURRICULAR TRIPS
    - ✓ POLICIES REQUIRING ALL FIELD TRIPS TO OCCUR DURING THE SCHOOL DAY, MAXIMUM DISTANCES, ETC. (making them reimbursable miles)
    - ✓ REDUCE THE USE OF "TRANSPORTATION" VEHICLES FOR NR TRIPS THAT COULD UTILIZE OTHER MEANS (Vans, activity buses, etc. that are not classified as Transportation vehicles – **NOT PURCHASED WITH 40 FUNDS**)

REAPING YOUR REWARDS

- There are a number of ways of reducing NR miles. Many are straight forward while others might be gray. In my experiences, I ran across one district that was unsure about their path to reduce NR miles. They chose to reach out to ISBE for clarification. ISBE personnel cited an opinion (posed as rules and regulations) not specified under the claim or depreciation rules. When they reached out to an ISBE claim auditor, he cited opinions (posed as rules and regulations) not specified under claim or depreciation rules. Remember, ISBE's motivation usually isn't to make more money for the districts.

REAPING YOUR REWARDS

- ANOTHER SIGNIFICANT ITEM THAT REDUCES CLAIM DOLLARS IS "OTHER REVENUE". SOME DISTRICTS UTILIZE ESSR FUNDS, PRE-K GRANT MONEY AND OTHER FUNDS TO HELP OFFSET TRANSPORTATION EXPENSES.
  - WHEN OUTSIDE MONEY IS USED IN TRANSPORATION IT IS REQUIRED TO BE ITEMIZED UNDER "OTHER REVENUE". GENERALLY SPEAKING, OUTSIDE REVENUE REDUCES THE CLAIM.

One district made the decision to use over $700,000 in ESSR III grant money to offset PreK costs because "PreK expenses are not reimbursable". ACTUALLY, PREK expenses are reimbursable within ISBE's formula for reimbursement. "SINCE THE PREK **MILES** ARE A PORTION OF THE TOTAL NR MILEAGE, THE PREK EXPENSES ARE A PORTION OF THE OVERALL NR DEDUCTION". This district's NR mileage rate was only about 15%. Had all $700,000 in expenses been claimed, after the mileage proration of 15% was applied, this district would have received nearly $600,000 in additional revenue on their claim ***(prior to claim prorations)***. As it turned out, they received nothing from the State for the PreK expenses and lost using the $700,000 in grant funds for other expenses.

REAPING YOUR REWARDS

- CONSIDER THAT PRE-K EXPENSES ARE PRORATED BASED ON MILEAGE PERCENTAGE AND DIVIDED BETWEEN ALL FOUR CATEGORIES. IF YOU HAVE $10,000 WORTH OF PRE-K EXPENSES AND A 25% NR RATE, YOU ARE ABLE TO RECEIVE 75% OF THE EXPENSE THROUGH THE CLAIM PROCESS ($7,500) [before State proration]. IF YOU UTILIZE $10,000 OF THE PRE-K GRANT MONEY TO OFFSET THOSE EXPENSES THE REVENUE IS PLACED UNDER THE NR "OTHER REVENUE". BUT BY UTILIZING THE GRANT FUNDS, THE DISTRICT LOSES THE 75% THEY COULD HAVE GAINED THROUGH THE CLAIM **PLUS** THEY ARE OUT THE $10,000 THEY USED TO OFFSET THE EXPENSE THAT COULD BE USED FOR OTHER PURPOSES.

- CONSIDER AVOIDING THE USE OF ANY LANGUAGE IN GRANT REQUESTS INDICATING THE MONEY WILL BE USED TO OFFSET ANY TRANSPORTATION EXPENSES

REAPING YOUR REWARDS

SOME DISTRICTS VALIDATE ALL TRIPS THAT WOULD BE CLASSIFIED AS NR. EXTRA CURRICULAR TRIPS ARE ESSENTIALLY A COST OF DOING SCHOOL BUSINESS. HOWEVER, MANY "GRAY AREA" TRIPS SUCH AS COACHES GOING TO "SCOUT", FACULTY TRAVEL USING TRANSPORTATION VEHICLES, SMALL GROUPS LIKE ONE OR TWO STUDENTS GOING TO COMPETE, ETC. WERE EVALUATED TO DETERMINE IF THERE WAS A REASONABLE WAY TO AVOID NR MILES WHILE STILL PROVIDING TRANSPORTATION

- ✓ POSSIBLY UTILIZING VEHICLES PURCHASED OUTSIDE OF THE 40 FUND LIKE VANS, AB, CARS, UTILITY VEHICLES, ETC. *(WHILE NO DEPRECIATION CAN BE CAPTURED, THE REDUCTION IN NR PERCENTAGE MORE THAN OUTWEIGHS LOSS OF DEPRECIATION FOR 5 YEARS)*
- ✓ POSSIBLE POLICY ADJUSTMENTS TO ALLOW FOR REIMBURSMENT PROCESS FOR STAFF UTILIZING THEIR OWN VEHICLES IF THE DISTRICT DOESN'T OWN NON-TRANSPORTATION VEHICLES

REAPING YOUR REWARDS

- ALL VEHICLES PURCHASED WITH 40 FUNDS MUST CLAIM THE MILEAGE FOR THAT VEHICLE **REGARDLESS OF ITS USE** FOR CLAIM PRORATION – THIS INCLUDES MAINTENANCE VEHICLES, DRIVER'S ED OR OTHER NON-TRANS VEHICLES
  - Alternatively, purchase fleet vehicles (cars, vans, activity buses, maintenance, drivers Ed) with district funds (Fund 10 or 20 rather than Fund 40) for staff transportation or require use of their personal vehicles *(Possible policy change)*

We owned five 8-passenger vans purchased with 40 funds 7 years earlier (fully depreciated). Those vans represented 20% of our non-reimbursable miles (25k of 125k NR & total miles ≈ 650k w/ claim \$2.2M). We sold 4 of the 5 vans for \$40,000, purchased 5 new 10-passenger vans with district funds for \$125,000 and saved approx. \$88,000 the first year in non-reimbursable expenses (reduction of NR % from 20% to 16% of 2.2M) . Within 18 months we were break even. Initial cost was \$125,000 benefit was \$88,000 – however, \$40K in cash had to be claimed as other revenue (19c) year 1. We had 5 new vans, 1 remaining van of the old ones, 18 additional ridership capacity and a long-term reduction in non-reimbursable miles. After year 1 the district received \$80,000 - \$100,000 reduction in NR miles.

Questions and Answers

We thank you for your time!