



SUPERINTENDENT OF PUBLIC INSTRUCTION

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ADDENDUM TO BULLETIN NO. 025-07 SCHOOL APPORTIONMENT AND FINANCIAL SERVICES

TO: Educational Service District Superintendents
Chief School District Administrators
Assistant Superintendents for Business and/or Business Managers

FROM: Dr. Terry Bergeson, State Superintendent of Public Instruction

RE: 2007–08 School District Accounting Manual Addendum Materials

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Purpose

The *Accounting Manual for Public School Districts in the State of Washington (Accounting Manual)* for the 2007–08 school year was published May 2007. A number of new legislative items affecting 2007–08 accounting had not been finalized as of that date. The purpose of this bulletin is to provide school districts with this additional guidance in the form of an addendum to the 2007–08 *Accounting Manual*.

Effective Date

The effective date of this bulletin is September 2007, and the changes are applicable to the school district fiscal year beginning September 1, 2007.

Guidance Overview

This guidance covers the following topics:

1. 2SSB 5114 requires school districts to account for “to-and-from school” transportation costs separately from other transportation spending.

2. 2SHB 1280 provides for technology expenditures from the capital projects fund and capital projects fund transfers to the general fund to pay for certain technology expenditures.
3. HB 2357 provides for transferring state forest revenue from the debt service fund to the capital projects fund.
4. Special education accounting changes required by the revised excess cost accounting method.
5. Changes and additions to revenue and expenditure codes and related information for new revenue streams.

To-and-From School Transportation

2SSB 5114 requires school districts to account for “to-and-from school” transportation costs separately from other transportation spending.

Attachment 1, To-and-From School Transportation Guidance, includes guidance on:

1. Accounting for non-to-and-from school (non-state-funded) transportation.
2. Calculating to-and-from school (state-funded) and non-to-and-from school (non-state-funded) transportation.
3. Miscellaneous issues; including how to account for fuel, bus aides, and transportation-related utilities.

Attachment 2, Program 99 Transportation Matrix by Activity and Object, shows each activity-object combination in program 99 and defines the costs in each combination as core, incremental, or direct costs. These definitions drive the calculation of non-state-funded transportation.

Attachment 3, Transportation Models, includes two models to split costs between state-funded and non-state-funded transportation. The Short Method defines an optional method that may be applied by a district at year-end to break out costs for non-state-funded transportation. The Long Method defines the default method applied by a district to break out costs for non-state-funded transportation. If a district does not qualify or chooses not to use the Short Method, the Long Method must be used.

Attachment 4, Transportation Frequently Asked Questions, includes questions and answers regarding how to define to-and-from school transportation and how to apply the to-and-from school transportation accounting guidelines.

Technology Expenditures and Capital Projects Fund Transfers

2SHB 1280 created a new section and amended RCW 28A.320.330 and RCW 84.52.053. The bill was signed by Governor Gregoire April 20, 2007, and is effective July 22, 2007.

The amended language in RCW 28A.320.330 states that certain technology expenditures may be made from capital projects fund (CPF) revenue but must be expended from the general fund, requiring that capital projects fund revenue be transferred to the general fund.

Attachment 5, Technology Expenditures and Capital Projects Fund Transfer Guidance, contains guidance that helps districts determine:

1. Which technology expenditures qualify for direct expenditure from the capital projects fund.
2. Which technology expenditures qualify for expenditure from capital projects fund revenue but must be made from the general fund.
3. How a transfer from the capital projects fund to the general fund is authorized.
4. How transfers are accounted for in the district accounting records.

Transfer of State Forest Revenue from the Debt Service Fund to the Capital Projects Fund

HB 2357 was signed by Governor Gregoire April 20, 2007, and is effective July 22, 2007. The bill adds language allowing districts to transfer state forest land revenue that is in the debt service fund (DSF) to the capital projects fund (CPF) to the extent the state forest revenue is not necessary for payment of debt service on school district bonds. Districts may transfer past, present, or future state forest land revenue that meets the above requirements. If a district is in doubt about these requirements, they should consult their bond counsel.

Transfers are authorized by the adoption of a resolution of the board of directors. The district's board-adopted budget, if it accurately reflects the desired transfer, may serve as the required resolution for such transfer.

Once the required authorization is in place, budget and actual interfund transfers are accomplished in the accounting records using other financing source account codes in the CPF and other financing use account codes in the DSF.

Special Education Excess Cost Accounting

In fall 2006, OSPI convened a task force to evaluate the special education excess cost accounting method, known as the 1077 Method. In January 2007, the task force prepared a report to Superintendent Bergeson, which included a proposal for a revised excess cost method. The 2007–09 appropriations bill directs districts to use the revised method, known as the Washington State Excess Costs Methodology (WSECM), and this necessitates accounting guidance.

Attachment 6, Special Education Excess Cost Accounting Guidance, contains guidance to implement WSECM. **Please Note:** The guidance in this attachment regarding K–4 and K–12 ratio calculation is proposed, subject to the rule-making process. The CR-101 has been filed, and the rule-making process will progress as required. OSPI intends to implement final rules on a timely basis for S-275 submission. See the attachment for additional information.

The objective of WSECM is to establish that special education eligible students, as a class, receive their full share of general apportionment (basic education) funding. Formal guidance to implement WSECM will be issued at a later date. The WSECM:

1. Shifts a portion of basic education revenue to the special education program based on a derived student full-time equivalency (FTE) in the special education setting. The revenue shifted is paid to districts under revenue code 3121, Special Education, General Apportionment. The 1077 Report is the source of the data in determining the student FTE in the special education setting.
2. Requires all costs for the state special education program (e.g., the full cost of special education teachers and program) be captured within a single program (program 21) rather than splitting program costs between basic and special education.

Additional Revenue and Expenditure Codes

Legislative changes from the 2007 session require additional revenue and expenditure codes and the assignment of existing codes to new revenue streams.

Attachment 7, Additional Revenue and Expenditure Guidance, contains the major new and revised revenue streams, their revenue and expenditure codes, and related information, including whether each funding stream is included in the F-203 and the levy base, whether indirects are allowed, and where additional information is located on OSPI's website.

Assistance

If you would like additional information, please contact Kim Thompson at (360) 725-6303 or Kim.Thompson@k12.wa.us. The agency TTY number is (360) 664-3631. This information is also available on the agency website at: <http://www.k12.wa.us/safs/>.

FINANCIAL RESOURCES

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SCHOOL APPORTIONMENT AND FINANCIAL SERVICES

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TB:kt

- Attachment 1 – To-and-From School Transportation Guidance
- Attachment 2 – Program 99 Transportation Matrix by Activity and Object
- Attachment 3 – Transportation Models
- Attachment 4 – Transportation Frequently Asked Questions
- Attachment 5 – Technology Expenditures and Capital Projects Fund Transfer Guidance
- Attachment 6 – Special Education Excess Cost Accounting Guidance
- Attachment 7 – Additional Revenue and Expenditure Guidance

TO-AND-FROM SCHOOL TRANSPORTATION GUIDANCE

The 2007 session of the Washington State Legislature passed 2SSB 5114, which included the following statement: “The superintendent shall require that districts separate the costs of operating the program for the transportation of eligible students to and from school as defined by RCW 28A.160.160 (3) from non-to-and-from-school pupil transportation costs in the annual financial statement.” Governor Gregoire signed the bill April 20, 2007, and it is effective July 22, 2007. This document provides school districts with guidance to implement this requirement.

The purpose of the legislative change is two-fold: (1) prepare the data necessary to distribute additional state funding in the 2008–09 school year (\$12.5 million) among school districts; and (2) develop an on-going method to isolate costs of state-funded pupil transportation¹ from total transportation program costs so that necessary data is available as the state improves its pupil transportation funding formula. The legislative change is implemented through two steps: (1) consistent application of the historically-used debit/credit transfer process; and (2) consistent calculation of the non-to-and-from school transportation amounts that are used in the debit/credit transfer process. **The application of this two-step guidance results in isolation of state to-and-from school transportation costs in Transportation Program 99 in the year-end accounting reports.**

Key steps of the debit/credit transfer process are: (1) districts may routinely continue to code their transportation expenditures using current practices; (2) districts will designate expenditures as Core, Incremental, or Direct Charge attributable to state or non-state purposes; (3) districts will use one of the two methods provided to calculate the costs of non-to-and-from school expenditures; and (4) districts will make the accounting entry to credit the calculated costs out of Program 99 and debit the calculated costs into the programs that benefited or required the transportation expenditure. Districts may choose when the move of expenditures takes place, but it must be done by year-end.

This guidance provides: (1) instructions on how to designate costs among Core, Incremental, or Direct Charge; (2) two methods for calculating the amount used in the debit/credit transfer process; (3) necessary forms for both (1) and (2); (4) a Frequently Asked Questions document; and (5) miscellaneous instructions regarding transportation expenditure coding and reporting. The guidance addresses issues raised by the Joint Legislative Audit and Review Committee K–12 Transportation Funding Student Report issued November 2006 and was developed collaboratively by the Office of Superintendent of Public Instruction (OSPI), the School District Accounting Advisory

¹ Generally, state-funded transportation is referred to as “to-and-from” school transportation and is intended to provide resources for safe transportation between school and home and between learning centers, such that all enrolled students have reasonable access to a free public education. However, the state’s responsibility is not limited to strictly to-and-from transportation. Please consult the Required Student Transportation Report (General Instructions for Data Collection) prepared by the transportation program of OSPI, for more guidance on transportation considered as a state vs. non-state responsibility.

Committee, and transportation stakeholders. Implementation of the guidance will require collaboration between district business and transportation offices.

Central to the guidance is the concept that pupil transportation costs are either: (1) costs that vary based on miles driven, or (2) costs that are core and do not vary based on miles driven. Costs that vary based on miles driven are allocated between to-and-from and non-to-and-from transportation. Core costs that do not vary based on miles driven are not allocated and are designated solely as to-and-from transportation. This concept is important because the costs associated with the state's obligation to fund to-and-from transportation remain whether or not a district engages in non-to-and-from transportation. The attached Program 99 Transportation Matrix by Activity and Object shows how each activity and object combination is designated. The designations are defined below.

1. Costs that do not vary based on miles are designated as "C," **core** costs. These costs would be incurred even if a district did not engage in non-to-and-from transportation. Therefore, they are not allocated between to-and-from and non-to-and-from, but are designated totally as to-and-from.
2. Costs that vary based on miles are designated as "A," **incremental** (allocable) costs. These costs would be incurred at an incrementally lower level if a district did not engage in non-to-and-from transportation. Therefore, these costs are allocated between to-and-from and non-to-and-from based on miles driven.
3. An additional category of costs that vary based on miles is designated as "D," **direct** costs. These costs would be incurred at an incrementally lower level if a district did not engage in non-to-and-from transportation. Therefore, these costs are allocated between to-and-from and non-to-and-from based either on miles driven (using the short method) or driver hours (using the long method).
4. Some activity-object combinations include two letters, and this designates that costs may include two designations, in which case the designation may be made on a specific-transaction basis. If the district does not decide to designate the costs on a specific-transaction basis, the default is the first letter in the combination.

ACCOUNTING FOR NON-TO-AND-FROM SCHOOL (NON-STATE-FUNDED) AND NON-PUPIL TRANSPORTATION

1. Non-pupil transportation (NPT) expenditures are expenditures that are not related to student transportation vehicles; i.e., "yellow buses." These expenditures may be initially coded to Program 99. Examples: motor pool expenditures, grounds equipment maintenance costs, fuel used by vehicles other than yellow buses, labor time spent on other than yellow buses, and inter-governmental non-pupil transportation costs are all NPT expenditures. If a district

direct charged these expenditures to a program other than 99, this section does not apply.

When NPT expenditures are initially charged to Program 99, they must be moved out of Program 99 so that they are not in the cost allocation pool at the time pupil transportation costs are split between to-and-from and non-to-and-from. To accomplish the move, districts MUST NOT use the debit/credit transfer process. Instead, districts must use journal entries with appropriate program, activity, and object (other than 0 and 1). For example, a district would move NPT fuel by crediting Program 99, Activity 52, Object 5, and debiting an appropriate program, activity, and object other than 1. **Please Note:** This may require some districts to change their accounting practices for NPT.

2. Non-to-and-from (non-state-funded) pupil transportation expenditures can be, and oftentimes are, initially coded to Program 99. To the extent they are, the debit/credit transfer process is to be used to credit out of Program 99 all non-state-funded pupil transportation costs. The costs to be credit transferred out will be determined using one of two methods. The two methods are described in detail below.
3. All non-state-funded pupil transportation costs from number 2 above that are credited out of Program 99 will be debit transferred to the using program, as determined by the district. In the limited instances where a district cannot determine an appropriate program, the district will debit transfer costs to Program 89 Other Community Services.
4. Districts may direct charge non-state-funded pupil transportation costs in the activity-object combinations on the Program 99 Transportation Matrix by Activity and Object that are designated with a "D," which includes driver time and other driver-related charges. The Matrix is attached to the bulletin. Contract districts may also direct charge, based on the invoice, all non-state-funded transportation costs.
5. When steps 1–4 are accomplished, the remaining balance in Program 99 at year-end represents the cost of to-and-from school pupil transportation.

CALCULATING STATE-FUNDED AND NON-STATE-FUNDED PUPIL TRANSPORTATION COSTS

There are two methods for calculating state-funded and non-state-funded pupil transportation costs: the short and the long method. The templates for each are attached to the bulletin.

1. Short Method – The short method is an optional one-step calculation based solely on costs per mile and is used at year-end. This method may be used only by non-contracting (for transportation) class 2 districts that do not generally direct charge pupil transportation costs to a program other than 99. This method is

applied at year-end; therefore, current year mileage and expenditures are used. For instance, to split 2007–08 costs, mileage from the 2007–08 mileage report and expenditures from the 2007–08 F-196 are used.

2. Long Method – The long method is a two-step calculation based on vehicle costs per mile plus driver costs per hour. If a district does not qualify or chooses not to use the short method, the long method must be used. This method results in charges to programs throughout the year. Therefore, prior year mileage from the mileage report and prior year expenditures inflated by the Per Pupil Inflator of 5.7% for 2007–08 are used in the cost per mile calculation. Cost per hour of driver is calculated using one of the following: (a) a standard district-calculated rate; (b) a current year actual rate; or (c) prior year actual costs inflated for COLA and benefit rate changes to derive a rate.
3. Diesel fuel inflationary factor – Districts may choose to inflate diesel fuel costs separately from other costs inflated in number 2 above, using an inflation rate calculated from the June 2007 Transportation Revenue Forecast. The rate for 2007–08 is negative 3.41%.
4. Gasoline fuel inflationary factor – Districts may choose to inflate gasoline fuel costs separately from other costs inflated in number 2 above, using an inflation rate calculated from the June 2007 Transportation Revenue Forecast. The rate for 2007–08 is negative 8.29%.
5. Bus Mileage Report – Both methods rely on the annual Bus Mileage Report. Therefore, districts should expect that the Bus Mileage Report will be subject to audit by the State Auditor’s Office and should make every effort to submit timely, accurate reports. The transportation department at OSPI defines the report, its rules, and the due date.

MISCELLANEOUS ISSUES

1. Pupil transportation fuel costs – Pupil transportation fuel costs are to be accounted for by all districts solely in Activity 52 Operations, Object 5 Supplies. See number 1. in the Accounting Section above for guidance on non-pupil transportation fuel costs. **Please Note:** This may require some districts to change their accounting practices for pupil transportation fuel.
2. Bus aides – Bus aides that are required due to program requirements shall be charged to the program requiring them. All other bus aides shall be charged to Program 99. **Please Note:** This may require some districts to change their accounting practices for bus aides. Examples of bus aide coding include:
 - a. Bus aides required by a special education student’s IEP shall be charged to Program 21 Special Education—Supplemental—State or Program 24 Special Education—Supplemental—Federal.
 - b. Bus aides for Head Start shall be charged to Program 61 Head Start—Federal.

- c. Bus aides on a special education bus that are not attributable to one or more specific IEP(s) shall be charged to Program 99 Transportation.
 - d. Bus aides on a basic education to-and-from school bus route shall be charged to Program 99 Transportation.
3. Utilities – Utilities may be charged only to programs that have Activity 65 Utilities open. This precludes utilities from being charged to Program 99. Instead, transportation utilities should be charged to Program 97 Districtwide Support, Activity 65 Utilities. **Please Note:** This may require some districts to change their accounting practices for utilities.
 4. Homeless transportation – To-and-from school homeless transportation is charged to Program 99. If a district has a McKinney-Vento grant, only non-to-and-from school homeless transportation (for example, summer school and pre-school transportation) may be charged to the grant.
 5. ASB transportation – Districts may direct charge the ASB fund for non-state-funded pupil transportation costs if their accounting system allows this. Otherwise, non-state-funded ASB transportation costs that are in Program 99 need to be moved via journal entry (not via the debit/credit transfer process) to the ASB fund, using the short or long method template, reducing the expenditures in Program 99.

Revenue is not generated by this transaction; it is treated as a reimbursement of expenditure in Program 99 in the general fund. The steps involved in a typical ASB transportation transaction are: (1) an invoice is produced for the amount ASB owes for transportation services, broken down by the major object codes; (2) the ASB fund prepares a warrant payable to the general fund, debiting appropriate expenditure accounts in the ASB fund; (3) the general fund receipts the warrant and credits the actual program, activity, and object codes that were on the invoice. See chapter 3, section 3, page 4 of the Accounting Manual for further guidance on reimbursements. **Please Note:** Revenue Code 2299 School Bus Revenue will be changed as follows:

2299 School Bus Revenue

Applicable Fund: (GF, TVF)

Record revenue from bus riders for the use of the district's school buses. ~~Also record reimbursements from the Associated Student Body Fund for the use of school buses in this account.~~

6. Invoicing for external (third party) pupil transportation revenue – The transportation department may invoice outside agencies for non-state-funded pupil transportation services. When the invoice is paid, revenue account 2299, 7199, or 8199 is credited. (See the Accounting Manual for further revenue account definitions.) The amount of the invoice may or may not reflect the costs

that are calculated on the short or long method template. For instance, a district invoices a fire district \$3,000. The cost calculated on the long method template is \$2,500. The district credits the revenue account for \$3,000 and debits a receivable or cash account for \$3,000. The district uses the debit/credit transfer process to move \$2,500 from Program 99 Transportation to Program 89 Other Community Services. **Please note:** If the transportation provided is not pupil transportation, districts should follow the guidance for Non-Pupil Transportation in the Accounting Section above, instead of using the debit/credit transfer process to move the calculated costs.

7. Accounting for intra-district pupil transportation costs – The transportation department may invoice other district departments for non-state-funded pupil transportation services. This transaction does not generate revenue for the district. The cost calculated on either the short or long method template is moved, using the debit/credit transfer process, from Program 99 to the program using the transportation services.
8. Accounting for pupil transportation cooperative arrangements – Districts participating in pupil transportation cooperative arrangements shall apply the methodology herein, as appropriate, to cost and account for state-funded and non-state-funded transportation.

Program 99 Transportation Matrix by Activity and Object
How Costs are Split Between State-Funded and Non-State-Funded Transportation

		Debit Transfer	Credit Transfer	Cert. Salaries	Class. Salaries	Employee Benefits	Supplies, Inst Materials Noncapitalized	Purchased Services	Travel	Capital Outlay
ACTIVITY	Object	(0)	(1)	(2)	(3)	(4)	(5)	(7)	(8)	(9)
25 Pupil Management and Safety		C		C	C	C	C	C	C	C
29 Payments to School Districts ①								C / A		
51 Supervision ②		C		C	C	C	C	C	C	C
52 Operations ③		A			D	D	A	A / D	C / D	A
53 Maintenance		A			A	A	A	A	A	A
56 Insurance								C		
59 Transfers			NA							

The designations on this Matrix visually depict the cost nature(s) of each Program 99 activity-object combination and were used to develop the Short and Long Method Templates.

- C** = Core costs - These costs are considered core to the state-funded transportation and are not allocated to non-state-funded transportation.
- A** = Incremental costs - These costs are variable based upon the number of miles driven. They are to be charged here first and then allocated, using the Short Method Template or the Long Method Template, to non-state-funded transportation based on miles.
- D** = Direct Costs per Hour/Trip Costs - These costs are driven by the number of driver hours or trip-specific costs. The largest component is driver salaries and benefits. Direct costs to be allocated to non-state-funded transportation are calculated in the following manner: (1) using the Long Method Template based on hours (driver salaries and benefits); (2) using the Long Method Template based on specific trip costs (tolls, parking fees, etc.); or (3) using the Short Method Template, added to incremental costs and allocated based upon the percent of to-and-from miles. These costs may be direct-charged to the using program rather than initially charged to Program 99.
- NA** = Not applicable - The credit transfer amount is not allocated and is not part of the cost per mile or cost per hour calculation.

Non-state-funded costs are accounted for as follows:

- Direct costs (D above) such as driver and trip costs may be charged directly to a non-transportation program.
- Incremental costs (A above) and direct costs (D above), are allocated to non-transportation programs using the debit and credit transfer process. The amounts are calculated using the short or long method for splitting state-funded and non-state-funded transportation costs.

Notes:

- ① These costs may be core or incremental, determined on a specific-transaction basis.
- ② The district can identify specific non-state-funded activity 51 expenditures and allocate them, but this will be the exception. The transportation director salary and benefits are core costs. Costs for a dispatcher hired solely for non-state-funded dispatching may be allocated.
- ③ These costs may be incremental or direct, determined on a specific-transaction basis.

**Split Between State-Funded and Non-State-Funded Transportation
Short Method Template**

This method is intended to calculate an amount of non-state-funded transportation costs to move out of Program 99, using the debit/credit transfer process. After the costs in line 8 are moved, the remaining balance amount in Program 99 represents state-funded (to-from) costs.

This method is optional and is used to determine the break out of costs for non-state-funded transportation. When used, it is applied by a district at year-end using bus mileage from the current year Mileage Report and current year expenditures. For example, the 2007–08 year-end calculation uses the 2007–08 Mileage Report and 2007–08 expenditures from the F-196. This template is used by districts that do not charge the costs of activity (non-state-funded) transportation throughout the school year. Class 1 districts may NOT use this method. Contracting districts, districts who direct-charge other programs, and districts who calculate and allocate non-state-funded costs monthly would not use this form.

Use Current Year Expenditures		Enter Amounts in Yellow (Shaded) Cells	
1	Program 99 Non-Core Costs to be Allocated		
1a	Activity 29 Pmts to School Districts - Allocable costs within this activity	\$ -	
1b	Activity 52 Operations Total	-	
1c	Less Activity 52 Object 8 Travel - Enter as negative	-	
1d	Activity 53 Maintenance Total	-	
1e	Sub-Total Program 99 Non-Core Costs to Allocate		\$ -
2	Subtract any <u>non-student transportation costs</u> that are in 1e at this point. Enter as a negative number. Example: Non-student transportation motor pool costs, grounds equipment maintenance. These costs should have been charged to the correct program initially or moved via journal entry (maintaining object codes). They should not be moved via the debit/credit transfer process. They need to be moved so the total to-and-from cost equals program 99.		-
3	Total Program 99 Non-Core Costs to be Allocated These are the total non-core costs; the costs that include to-and-from and non-to-and-from.		\$ -
4	Total transportation miles Use the Current Year Mileage Report.	-	
5	To-and-From miles Use the Current Year Mileage Report.	-	
6	% of To-and-From miles (Line 5 / Line 4)	0.00%	
7	Allocated To-and-From Costs	Line 3 * Line 6	\$ -
8	Costs to be moved to non-transportation programs through the debit/credit process.	Line 1e + 2 - 7	\$ -

Split Between State-Funded and Non-State-Funded Transportation

Long Method Template

This method is intended to calculate an amount of non-state-funded transportation costs to move out of Program 99, using the debit/credit transfer process. The amount on Line 9 will typically be calculated once per year. The calculation on Line 17 will typically be performed and the results moved periodically throughout the school year and may also be calculated and moved on a specific-transaction basis. All non-state-funded costs must be calculated and moved by year-end, when the remaining balance in Program 99 will represent state-funded (to-from) costs.

In step one, use expenditures from the prior year F-196, as adjusted by the uniform inflation factors, and miles from the prior year Mileage Report. For example, the 2007–08 calculation uses the 2006–07 Mileage Report and 2006–07 expenditures from the F-196, as adjusted by the inflation factors provided by OSPI.

Step One: Calculate Non-State-Funded Cost Based on Mileage		Enter Amounts in Yellow (Shaded) Cells	Totals
1	Activity 29—Payments to School Districts Include non-core expenses only.		\$ -
2	Activity 51—Supervision Include ONLY staff assigned SOLELY to non-to-and-from activities. Most districts will have zero.		-
3	Activity 52—Operation of Buses		
3a	Object 0—Debit Transfer	\$ -	
3b	Object 5—Supplies	-	
3c	Object 7—Purchased Services - Include costs that are allocable and not a specific trip expense.	-	
3d	Object 9—Capital Outlay	-	
3e	Total Activity 52		-
4	Activity 53—Maintenance of Buses		
4a	Object 0—Debit Transfer	-	
4b	Object 3—Classified Salaries	-	
4c	Object 4—Benefits	-	
4d	Object 5—Supplies	-	
4e	Object 7—Purchased Services	-	
4f	Object 8—Travel	-	
4g	Object 9—Capital Outlay	-	
4h	Total Activity 53		-
5	Subtract any <u>non-student transportation costs</u> that are in items 1–4 at this point. Enter as a negative. See Note 1 below.		-
6	Optional: Add transportation expenditures in the above activity-object combinations that were <u>originally debited</u> to a program other than 99, for which the miles are included on the mileage report.		-
7	Total Costs to Allocate on a Per Mile Basis		-
8	Total Miles From Mileage Report		-
9	Cost per Mile Line 7 / Line 8	\$ -	
Use lines 10, 11, and 15–17 to calculate costs for specific trips that are non-state-funded trips.			
10	Number of non-state-funded trip miles		-
11	Total Cost Based on Miles Line 9 * Line 10		-
Step Two: Calculate Non-State-Funded Cost Based on Hours			
Line 12 costs may be calculated using (1) a standard district-calculated rate; (2) a current year actual rate; or (3) prior year actual costs inflated for COLA and benefit rate changes to derive a rate.			
12	Cost per hour of driver including benefits	\$ -	
13	Trip hours	-	
14	Total driver cost Line 12 * Line 13		-
15	Optional: Add food and related direct travel costs (tolls, ferries, parking)		-
16	Total Cost Based on Hours		-
17	Total Non-State-Funded Trip Cost Line 11 + Line 16		\$ -

The amount on Line 17 is moved out of Program 99 to the using program via the debit/credit transfer process.

Note 1: Examples include non-student transportation motor pool costs, grounds equipment maintenance, and other non-"yellow bus" costs. These costs should have been charged to the correct program (other than program 99) initially or already moved via journal entry (maintaining object codes), not moved via the debit/credit transfer process. These costs need to retain their objects when they are moved so they are credited from the above activity-object combinations and therefore not in the costs-to-be-allocated pool (line 7.) See further guidance in Addendum to Bulletin 025-07.

TRANSPORTATION FREQUENTLY ASKED QUESTIONS

I. HOW TO DEFINE TO-AND-FROM SCHOOL (TO/FROM) STATE-FUNDED TRANSPORTATION

Q1. How do I decide if the costs for some particular pupil transportation should be included in Program 99?

A. The intent of the Legislature is to have the costs in Program 99 reflect school district expenditures for providing the transportation that the state considers in the funding formula. The easiest method to determine if those costs should remain in Program 99 is to ask the following question: “Do I get funded for this transportation as part of the state ridership report?” (Or: would I get funded for the transportation if it was happening during count week?) If the answer is “Yes,” then you should include those costs in Program 99 as to/from. Note that the question is unrelated to whether the funding provided by the state is adequate. If the state funds the transportation during ridership, leave those costs in Program 99.

Q2. Should pupil transportation for summer school programs be included in Program 99?

A. Pupil transportation costs associated with extended school year programs must be transferred out of Program 99. (Note that this is the exception to the rule stated above.)

Q3. The state does not fund pupil transportation within one radius mile. Should I include the cost of providing pupil transportation within the first radius mile in Program 99?

A. Yes. While the current formula does not specifically fund school bus passengers with bus stops within one radius mile of their school of enrollment, the formula includes funding for providing necessary transportation within one radius mile (based on the K–5 enrollment information provided on Form 1022B).

Q4. Do I have the option of leaving the costs for academically related field trips in Program 99?

A. No. The costs associated with field trips, extra-curricular trips, and all other transportation that would not qualify for state funding must be moved out of Program 99.

Q5. When a special needs route gets added in the middle of the school year, do I include those costs in Program 99?

A. Yes. Those costs should be included in Program 99. While the current formula does not provide additional funding for that route, the costs are to/from. The accounting process should identify the costs associated with performing necessary to/from transportation, regardless of the fact that the current system does not adjust funding for changes made during the year.

Q6. We provide pupil transportation for zero hour and extended day (after school). Are those to/from costs?

A. Transportation provided for zero hour students enrolled in a course of study as defined in WAC 392-121-106 should be reported as to/from. Extended day (after school) program transportation should not be charged to Program 99.

Q7. Where should I report the costs for transportation for a student identified as homeless after count week?

A. To-and-from school homeless transportation is charged to Program 99, regardless of whether the work is performed during the transportation report count week. If a district has a McKinney-Vento grant, only non-to-and-from school homeless transportation (for example, summer school and pre-school transportation) may be charged to the grant.

Q8. Do I have to separate out the costs for regular afternoon take-home routes (because we don't report those routes during count week)?

A. No. The costs for the afternoon take-home routes (at the end of the regular school day) are part of to/from costs. While the state report system does not include a student count for those routes, the current formula is intended to provide funding for those routes (the morning routes are given a 2x factor to cover the costs of the take-home route).

Q9. Who should I ask for clarification, if I have questions regarding a specific type of transportation that we provide?

A. The first person to ask is your Regional Transportation Coordinator. If you are still in need of clarification, please contact Dan Payne, Pupil Transportation Program Supervisor at OSPI at (360) 725-6120 or Dan.Payne@k12.wa.us. The following is the contact information for the Regional Transportation Coordinators:

Region 1 (ESD 112 and ESD 113)

Skip Enes
ESD 112
2500 NE 65th Avenue
Vancouver, WA 98661-6812
(360) 750-7500 ext. 221
skip.enes@esd112.org

Region 2 (ESD 114 and PSESD)

Randy Millhollen
Puget Sound ESD 121
3601–20th Street East
Tacoma, WA 98424-2000
(253) 778-7955, (425) 917-7955,
or 1-800-664-4549 ext. 7955
rmillhollen@psesd.org

Region 3 (ESD 189)

Anna Esquibel
Northwest ESD 189
1601 "R" Avenue
Anacortes, WA 98221
(360) 299-4008
aesquibe@esd189.org

Region 4 (ESD 105, ESD 171, ESD 123)

Jan Clarence
ESD 105
33 S. Second Avenue
Yakima WA 98902
(509) 454-3105
janc@esd105.wednet.edu

Region 5 (ESD 101)

Mike Kenney
ESD 101
4202 South Regal
Spokane WA 99223-7738
(509) 789-3558
mkenney@esd101.net

II. HOW TO APPLY THE ACCOUNTING GUIDELINES

Q10. To calculate non-to-and-from costs, my district currently uses a method other than the short or long method defined by OSPI. Is this acceptable?

A. Using a different method will yield different results, and the Legislature is seeking consistent results. Therefore, districts must use either the short or long methods to calculate non-to-and-from costs. The exception is that contract districts may direct charge all of their non-to-and-from costs if these costs are broken down on the invoice. Please note that the long method provides flexibility in the calculation of driver costs, so it is possible that your district's method is incorporated in the variations allowed in the long method.

Q11. In preparation for the upcoming school year, our district needs the rates per mile by August 15 in order to budget non-to-and-from transportation expenditures in the programs. May we, therefore, use expenditure data for the prior 180-day school year (September through June) rather than the prior fiscal year (September through August)?

A. If, in your judgment, using the prior school year expenditure data will generate an accurate estimate of the non-to-and-from costs, you may use the prior school year expenditure data rather than the prior fiscal year expenditure data. Districts that use prior school year data should perform the calculation at the end of the year using prior fiscal year data to determine that the school year calculation was accurate. All districts should maintain documentation of the non-to-and-from cost calculation for audit purposes.

Q12. Who should I ask for clarification, if I have questions regarding applying the accounting guidance?

A. Contact Kim Thompson, ESD and School District Accounting Supervisor, at (360) 725-6303 or kim.thompson@k12.wa.us.

TECHNOLOGY EXPENDITURES AND CAPITAL PROJECTS FUND TRANSFER GUIDANCE

2SHB 1280 expands the authorized uses under RCW 28A.320.330 of school district capital projects funds for technology to include costs associated with the application and modernization of technology systems for operations and instruction. These costs include: ongoing fees for on-line applications, subscriptions, or software license; upgrades and incidental services; and ongoing training related to the installation and integration of the technology. However, the bill provides that a school district using capital projects funds for the expanded purposes must transfer the funds to the district's general fund.

TEXT OF RCW 28A.320.330(2)(f)

Moneys in the capital projects fund may be used for:

[Existing language:] “(f)(i) Costs associated with implementing technology systems, facilities, and projects, including acquiring hardware, licensing software, and online applications and training related to the installation of the foregoing. However, the software or applications must be an integral part of the district's technology systems, facilities, or projects.

[New language:] “(ii) Costs associated with the application and modernization of technology systems for operations and instruction including, but not limited to, the ongoing fees for online applications, subscriptions, or software licenses, including upgrades and incidental services, and ongoing training related to the installation and integration of these products and services. However, to the extent the funds are used for the purpose under this subsection (2)(f)(ii), the school district shall transfer to the district's general fund the portion of the capital projects fund used for this purpose. The office of the superintendent of public instruction shall develop accounting guidelines for these transfers in accordance with internal revenue service regulations.”

INITIAL QUESTIONS IN THE DECISION-MAKING PROCESS

Question Number One:

Are the costs associated with “implementing technology systems?” Or are the costs associated with “training related to the installation of the foregoing?” If yes, these costs may be paid directly out of the capital projects fund under (f)(i) above.

Question Number Two:

Are the costs “associated with the application and modernization of technology systems for operations and instruction?” Or are the costs associated with “ongoing training related to the installation and integration of these products and services?” If yes, and if a school district wishes to utilize money in the capital projects fund for these purposes, the district is required to transfer the dollars from the capital projects fund to the general fund under (f)(ii) above.

PROCESS FOR INTERFUND TRANSFER

If the answer to either one of the inquiries in Question Number Two above is yes, then the school district needs to follow the process for interfund transfer.

Transfers from the capital projects fund to the general fund for costs associated with the application and modernization of technology systems for operations and instruction as authorized by RCW 28A.320.330(2)(f) shall be authorized by the adoption of a resolution of the board of directors. However, the district's board-adopted budget, if it accurately reflects the desired transfer, may serve as the required resolution for such transfer.

Once the required authorization is in place, budget and actual interfund transfers are accomplished in the accounting records using other financing source account codes in the general fund and other financing use account codes in the capital projects fund.

TRANSFERS/SOURCES OF FUNDING

All funds in the capital projects fund including, but not limited to, interest earnings on unrestricted capital projects funds, can be used for the purposes of RCW 28A.320.330(2)(f)(ii), with the exception of funds derived from the following sources: A) bond proceeds and interest on bond proceeds; B) school impact/mitigation fees and interest on impact/mitigation fees; C) proceeds from the Washington State LOCAL Program; or D) other sources subject to legal or contractual restrictions as to use (for example grant proceeds).

EXPENDITURE GUIDELINES

The following categories of expenditures are authorized by RCW 28A.320.330(2)(f)(ii) for technology systems, facilities or projects:

- A. Costs associated with the application and modernization of technology systems for operations.
- B. Costs associated with the application and modernization of technology systems for instruction.

Costs identified in A. and B. above include, but are not limited to:

- 1. Costs associated with ongoing fees for online applications, subscriptions, or software licenses, including upgrades and incidental services; and
- 2. Costs associated with ongoing training related to the installation and integration of these products and services.

SPECIAL EDUCATION EXCESS COST ACCOUNTING GUIDANCE

PURPOSE

The purpose of the special education excess cost accounting methodology is to ensure that special education students, as a class, receive basic education support to which all students are entitled and that special education revenues are used to supplement basic education support.

The 1077 method has been repealed and is replaced with the Washington State Excess Costs Methodology (WSECM). This new method eliminates the split coding between programs required under the 1077 method. However, districts will be required to provide grade group assignment information for the CIS staff in program 21 serving kindergarten through fourth grade students. (More guidance regarding these groupings will be contained in guidance for implementation of basic education minimum staffing requirements.)

ACCOUNTING DEFINITION

The *Accounting Manual for Public School Districts in the State of Washington* defines special education excess costs as follows:

“Excess costs” are those expenditures for special education and related services for special education students that exceed the amount needed to provide a basic education to those students.

ASSUMPTIONS OF THE WSECM EXCESS COSTS METHOD

The new WSECM continues to rely on each school district’s December federal child count Report 1077–Implementation of Least Restrictive Environment to determine the amount of service provided to special education students outside the regular classroom.

The WSECM assumes that:

- Special education students receive their appropriate share of basic education support from basic education staff when served in the regular classroom.
- When special education students are served outside the regular classroom, basic education dollars follow them to partially support the special education services they receive.

Federally-funded special education services are also supplemental and are charged to the federal special education program consistent with federal guidance. (See OMB Circular A-87 and SPI Bulletin No. 006-04.)

OVERVIEW

The new WSECM addresses excess costs in the following fashion:

- Districts will now code their state special education staff directly to Program 21 state special education. The split coding to program 01 has been eliminated.
- OSPI will calculate a split in the general apportionment revenue between basic education and special education programs based upon each district's prior year December 1st child count information. The special education portion of the general apportionment funding will be paid to districts under a new revenue code 3121. The state excess cost special education funding will continue to be paid under Revenue 4121.
- Determination of a district's K–4 and K–12 ratio will include consideration of the certificated instructional staff information reported in the S-275 for program 21. OSPI's proposed methodology will require school districts to grade group CIS staff coded to program 21. Details of this proposal will be posted on the OSPI SAFS website at <http://www.k12.wa.us/SAFS/default.asp> for review and comment. OSPI intends to implement final rules on a timely basis for S-275 submission.

Expenditure Coding

- Districts shall code special education staff to the appropriate special education program based upon the employee's assignment data.
- Under OSPI's proposal for K–4 and K–12 ratio calculation, districts shall report grade group assignments within program 21 for certificated instructional employee duties with a suffix 0 that serve preschool through 4th grade students. See the Overview above for further information on OSPI's proposal.

Revenue Split

Monthly, OSPI shall perform a calculation determining the amount to be paid to the districts under revenue code 3121 on the 1220 report. Districts shall expend this revenue in the state program 21 to meet the program expenditure requirements of the state special education program.

ILLUSTRATION FOR THE 2007–08 SCHOOL YEAR

Student December 1st Reporting

A. Sample District information reported on the December 2006 Form 1077 is summarized as follows:

	Percent of Day in Regular Class	Midpoint Used	Child Count	Calculated FTE
Table 1				
Age 6–11	80%–100%	92%	333	306.76
Age 12–21	80%–100%	87%	217	188.56
Table 2	40%–79%	64%	380	242.97
Table 3	0%–39%	13%	148	19.22
Tables 28, 29 & 8		0%	13	.00
Grand Total			1,091	757.51
Line 1: Percentage of Time in Basic Ed				69.43%
Line 2: Percentage of time in Special Ed				30.57%

Other District Information

B. The district's state recovery rate calculated for 2007–08 is 16.7%

- The district's annual average age 5–21 special education students served from the P-223H is 1,200. (**Serving** districts receive the BEA funding.)
- The average BEA rate from line G of the Report 1220 is \$4,459.13.

Calculations

C. The calculated general apportionment revenue generated by the age 5–21 special education students served is calculated as:

$$1,200 * \$4,459.13 = \$5,350,956$$

D. Before applying the revenue split, an amount based upon the district's state recovery rate is set aside for the districtwide expenditures.

$$\$5,350,956 / 1.167 (1 + \text{State Recovery}) = \$4,585,223.65$$

E. The percentage of time in special education, as determined above on line 2 is multiplied by the amount from step D to determine the general apportionment revenue to be paid under the new revenue code 3121.

$$\$4,585,223.65 * 30.57\% = \$1,401,702.87$$

ADDITIONAL INFORMATION

- A pro-forma Report 1220 reflecting the WSECM is available at: <http://www.k12.wa.us/safs/PUB/COM/SETF.asp>.
- OSPI's proposal for K–4 and K–12 ratio revision is available at: <http://www.k12.wa.us/SAFS/default.asp>.

ADDITIONAL REVENUE AND EXPENDITURE GUIDANCE

Legislative changes from the 2007 session require additional revenue and expenditure codes and the assignment of existing codes to new revenue streams. Following are the major new and revised revenue streams, their revenue and expenditure codes, and related information, including whether each funding stream is included in the F-203 and the levy base, whether indirects are allowed, and where additional information is located on OSPI's website.

BUILDING-BASED TECHNOLOGY ALLOCATIONS

- **Description:** The 2007–09 appropriations bill funds \$12.4 million in one-time allocations for technology. The funding is allocated to a district based on \$11,000 for high schools, \$6,000 for middle or junior high schools, and \$3,000 for elementary schools. The intent of these funds is to provide one-time assistance for school districts to make technology upgrades and improvements that improve instruction and program delivery to students.
- **Revenue code:** 3100.
- **Expenditure code:** Program 01. Districts should track expenditures separately.
- **Budgeting Information:**
 - **Is this revenue on the F-203?** No, the estimates for building-based technology are not on the F-203. Districts should budget and account for this in 3100.
 - **Is this revenue included in the levy base?** To be determined at a later date.
 - **Are indirects allowed?** Yes, the maximum allowed is the state recovery rate.
 - **Additional information is available on the web at:** An allocation model is available at: <http://www.k12.wa.us/SAFS/07budprp.asp>. Memo 038-07M is available at: <http://www.k12.wa.us/BulletinsMemos/memoranda2007.aspx>.

SPLITTING STATE-FUNDED AND NON-STATE-FUNDED TRANSPORTATION COSTS

- **Description:** 2SSB 5114 requires school districts to account for “to-and-from” school costs separately from other transportation spending.
- **Revenue code:** NA. There is no additional revenue.
- **Expenditure code:** Districts use the debit/credit transfer process to move non-to-and-from costs to the appropriate using program.
- **Budgeting Information:**
 - **Is this revenue on the F-203?** NA. There is no new revenue. Revenue 4199 continues to be on the F-203.
 - **Is this revenue included in the levy base?** NA. There is no new revenue. Revenue 4199 will continue to be included in the levy base.
 - **Are indirects allowed?** NA.

- **Additional information is available on the web at:** Additional guidance and calculation templates are available on the Accounting Manual website: <http://www.k12.wa.us/safs/INS/ACC/0708/am.asp>.

SPECIAL EDUCATION EXCESS COSTS METHOD CHANGE

- **Description:** In fall 2006, OSPI convened a task force to evaluate the special education excess cost accounting method, known as the 1077 Method. In January 2007, the task force prepared a report to Superintendent Bergeson, which included a proposal for a revised excess cost method. The 2007–09 appropriations bill directs districts to use the revised method, known as the Washington State Excess Costs Methodology (WSECM), and this necessitates accounting guidance.
- **Revenue code:** New revenue code 3121.
- **Expenditure code:** NA.
- **Budgeting Information:**
 - **Is this revenue on the F-203?** Yes.
 - **Is this revenue included in the levy base?** Yes.
 - **Are indirects allowed?** N/A
 - **Additional information is available on the web at:** Additional material is available at: <http://www.k12.wa.us/safs/PUB/COM/SETF.asp>.

PROFESSIONAL DEVELOPMENT DAYS FOR MATH AND SCIENCE

- **Description:** The 2007–09 appropriations bill funds 3 types of professional development: (1) 2 additional days for fourth and fifth grade teachers; (2) 3 days for middle and high school math teachers and science teachers; (3) 5 days for one math teacher and one science teacher in each middle school and in each high school. The largest middle school or high school in a district will generate the specialized professional development days. Other schools must contain at least 20 students in the middle school or high school grade band to be eligible for the additional specialized professional development days.
- **Revenue code:** New revenue code 4175.
- **Expenditure code:** New expenditure code program 75. See the program 75 activity-object matrix below.
- **Budgeting Information:**
 - **Is this revenue on the F-203?** No. Revenue code 4175 and expenditure program 75 were not open in the 2007–08 F-195. Therefore, districts should budget using revenue code 4100 and expenditure program 58. Districts should also use 4100 and 58 on any 2007–08 budget extensions. Districts will receive funding under revenue code 4175 and should account for expenditures in program 75. The new revenue and expenditure codes will be open in the 2007–08 F-196.
 - **Is this revenue included in the levy base?** Yes.
 - **Are indirects allowed?** Yes, the maximum allowed is the state recovery rate.

- **Additional information is available on the web at:** An allocation model is available at: <http://www.k12.wa.us/safs/07budprp.asp>.

MIDDLE SCHOOL CAREER AND TECHNICAL EDUCATION (VOCATIONAL)

- **Description:** The 2007–09 appropriations bill funds \$1.5 million for enhanced vocational funding for middle school career and technical education programs.
- **Revenue code:** New revenue code 4134.
- **Expenditure code:** New program code 34. See the program 34 activity-object matrix below.
- **Budgeting Information:**
 - **Is this revenue on the F-203?** No. Revenue code 4134 and expenditure program 34 were not open in the 2007–08 F-195. Therefore, districts should budget using revenue code 4158 and expenditure program 58. Districts should also use 4158 and 58 on any 2007–08 budget extensions. Districts will receive funding under revenue code 4134 and should account for these expenditures under program 34. The new revenue and expenditure codes will be open in the 2007–08 F-196.
 - **Is this revenue included in the levy base? Yes.**
 - **Are indirects allowed?** Yes, the maximum allowed is the state recovery rate.
 - **Additional information is available on the web at:** A memo will be available at: <http://www.k12.wa.us/BulletinsMemos/memoranda2007.aspx> .

ALL DAY KINDERGARTEN

- **Description:** 2SSB 5841 authorizes the All Day Kindergarten (ADK) Program. In 2007–08, the program will fund an estimated 10 percent of the state kindergarten enrollment based on approved applications for the highest poverty schools. Highest poverty schools are defined as those schools with the highest percentages of students qualifying for free and reduced price lunch support in the prior school year. Funding will be calculated using the general apportionment formula including the 2007–08 annual average ADK FTE enrollment, district staff mix, and the K–4 CIS funding ratio.
- **Revenue code:** 3100.
- **Expenditure code:** Program 01 with local sub-program code.
- **Budgeting Information:**
 - **Is this revenue on the F-203?** Yes.
 - **Is this revenue included in the levy base? Yes.**
 - **Are indirects allowed?** NA.
 - **Additional information is available on the web at:** An allocation model is available at: <http://www.k12.wa.us/SAFS/07budprp.asp>. Additional guidance is available at: <http://www.k12.wa.us/EarlyLearning/default.aspx>.

ACTIVITY-OBJECT MATRICES FOR NEW PROGRAMS 34 AND 75

**PROGRAM 34 - MIDDLE SCHOOL CAREER AND TECHNICAL EDUCATION—STATE
OBJECTS OF EXPENDITURE**

		Debit Transfer	Credit Transfer	Cert. Salaries	Class. Salaries	Employee Benefits	Supplies, Inst Mat'ls Noncap	Purchased Services	Travel	Capital Outlay
ACTIVITY	Total	0	1	2	3	4	5	7	8	9
21 Supervision										
22 Learning Resources										
24 Guidance and Counseling										
25 Pupil Management and Safety										
27 Teaching										
28 Extracurricular										
29 Payments to School Districts										
TOTALS										

**PROGRAM 75 - PROFESSIONAL DEVELOPMENT—STATE
OBJECTS OF EXPENDITURE**

		Debit Transfer	Credit Transfer	Cert. Salaries	Class. Salaries	Employee Benefits	Supplies, Inst Mat'ls Noncap	Purchased Services	Travel	Capital Outlay
ACTIVITY	Total	0	1	2	3	4	5	7	8	9
21 Supervision										
22 Learning Resources										
23 Principals Office										
24 Guidance and Counseling										
25 Pupil Management and Safety										
26 Health/Related Services										
27 Teaching										
29 Payments to School Districts										
TOTALS										