

USING COST ALLOCATION TO FACILITATE COORDINATION

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Presented to the

**19th National Rural Public and Intercity Bus
Transportation Conference**

Burlington, Vermont

October 25, 2010

TCRP Project G-09

➤ ***Human Services Transportation Cost Reporting to Facilitate Cost Sharing Agreements, Transit Cooperative Research Program, Transportation Research Board, The National Academies***

➤ **Key Staff**

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TCRP REPORT 144

➤ ***Sharing the Costs of Transportation Services,***
Transportation Research Board, The National Academies

➤ **Key Authors**

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➤ **2-volume Final Report to be available January 2011**

Project Outputs

- Volume 1: A **Toolkit** with instructions for recording and reporting clear, concise, and understandable transportation service and cost information
- Volume 2: The **Research Report** describing Current Conditions and New Procedures
- **Excel spreadsheets** to automate the calculations of costs and prices of transportation services
- The **Executive Summary** providing an overview of the project and its products

Objectives

- **Develop a uniform methodology for recording and reporting cost and service data**
- **Help all operators record, report, and analyze all services and costs on a consistent basis**
- **Report complete transportation service and cost information to a wide range of decision-makers**
- **Share the costs of transportation services among the users and other beneficiaries of those services**

Problem Statement

- The lack of comparable resource allocation info among transportation providers and purchasers **impedes the development of coordinated services.**
- Materials need to be developed for the **clear, concise, and consistent reporting of human services transportation services and costs.**
- **Meaningful coordination will be difficult to impossible to implement without equivalent data among coordination partners.**

Problems Observed

- **The major Federal programs have very different data collection and reporting requirements**
- **State agencies often impose additional requirements**
- **Some localities impose still additional requirements**
- **The lack of uniform reporting standards causes incomplete statements of program costs and services**

Detailed Problems

- **Transportation costs are often combined into generalized accounting categories**
- **Transportation expenses are often underreported**
- **Payments are seldom tied to costs**
- **Administrative costs are seldom reported accurately**
- **Staff travel is often not reported**
- **Hard to tell which dollars are from which program due to blending of program funds at the local level**

Fundamental Concepts

- Data collected to be used in daily program managers **to improve services at the local level**
 - Resource efficiency measures
 - Service effectiveness measures
 - Cost effectiveness measures
- Improvements needed by nearly all recipients of Federal human service transportation funding
 - More information on passengers
 - More information on services provided and services consumed

Overall Approach and Accounting Structure

- **Fully-allocated cost accounting**
 - All expenses incurred are recorded
 - A value is assigned to all resources used
- A common **chart of accounts**: income & expenditure classes
- **Different kinds of costs**
 - Fixed vs. variable costs
 - Capital vs. operating costs
 - Direct vs. shared costs

Desired Characteristics of the Cost Accounting System

- Describe in detail
 - All costs that have been incurred
 - All services rendered
 - How the funds of all participating agencies have been spent
- Provide the opportunity to distribute the costs of transportation services among those receiving services based on the actual costs of the services each has received: *proportionate cost allocation*

Your Vital Statistics

➤ Data to be collected on

- Total costs
- Services delivered
- Services consumed

➤ Data to be reported

- By all organizations that provide [or purchase] transportation services to consumers
- To all transportation program funders and administrators

Your Vital Statistics: Part 2

➤ **Services delivered**

- **Vehicle miles of service**
- **Vehicle hours of service**

➤ **Services consumed**

- **Unlinked passenger trips**
- **Unduplicated persons served**

➤ **Fully allocated costs**

- **All costs required to provide transportation service**

Information Needed

- **Total dollar costs: all costs incurred**
- **Total vehicle miles**
- **Total vehicle hours**
- **Total passenger trips [unlinked]**
- **Total unduplicated persons served**

Data Processing Steps

- 1. Enter service data for your transportation system**
- 2. Enter budget data for your transportation system**
- 3. Calculate the fully allocated cost of any service component**
- 4. Price a transportation service based on fully allocated costs**

Towards a Common Chart of Accounts

- **Establish basic expense classes, such as**
 - Labor by type; associated benefits
 - Materials and supplies
 - Services purchased: professional, transportation, etc
 - Utilities
 - Taxes
 - Insurance
 - Others, including leases, misc., depreciation

- **Assign expenses to fixed or variable costs; for example**
 - Labor costs vary according to hours of service
 - Fuel and tire costs vary by miles of service
 - Admin office space costs generally do not vary

Transportation Service Expenses

In this section, enter the transportation system's annual expenses or budget.

Object	Title	Annual Expenses
501	LABOR	
501.01	Operator's Salaries & Wages	\$ -
501.02	Other (Operating) Salaries & Wages	\$ -
501.03	Dispatchers Salaries & Wages	\$ -
501.04	Other (Administrative) Salaries & Wages	\$ -
501.99	Other Salaries & Wages	\$ -
502	FRINGE BENEFITS	
502.01	FICA	\$ -
502.02	Pensions & Long Term Disability	\$ -
502.03	Health Insurance	\$ -
502.04	Dental Plans	\$ -
502.05	Life Insurance	\$ -
502.06	Short Term Disability	\$ -
502.07	Unemployment Insurance	\$ -
502.08	Worker's Compensation	\$ -
502.09	Sick Leave	\$ -
502.10	Holiday	\$ -
502.11	Vacation	\$ -
502.12	Other Paid Absences	\$ -
502.13	Uniform and Work Clothing Allowances	\$ -

Allocating Costs to Stakeholders

➤ Initial steps in the process

- Assemble cost and service data
- Assign expenses to **variable** or **fixed** cost categories, and variable expenses to **miles** or **hours**
- Calculate average unit costs

➤ Calculate total annual costs

- Fixed cost factor *times*
- the *sum* of annual mileage and hourly costs

➤ Allocate costs based on

- Miles and hours of service
- Direct vs. shared costs

Considerations

- **Some contracts are based on factors other than costs incurred**
- **All contracts should be based on equitable, understandable, and agreeable factors**

Benefits of Better Service & Cost Data

- **Diagnose specific performance problems; aid in day-to-day management decisions**
- **Assist in long-term planning and decision-making, including future funding requests**
- **Document expenditures and their results; meet other regulatory requirements; qualify for funding**

Advanced Coordination Questions

- Which agency partners could best perform which functions for coordinated transportation services?
- Why do some trips cost more than others?
- Are high-quality services being provided?
- Are trips being provided to those persons who need them the most?
- Are the riders [or their advocates] charged the appropriate amounts for their rides?

Additional Information Provided

- **Cost accounting details**
- **Regulations regarding Federally-funded service**
- **Standard definitions for common terms**
- **Examples of states that have already adopted many of our recommended practices**
- **The CCAM vehicle sharing policy statement and similar information**
- **Exemplary applications of cost-sharing methodologies**
- **4 types of transportation services**

Summary

- **Advanced recording / reporting requirements must benefit local managers**
- **Better data support better program management at all levels [and provides a reliable audit trail]**
- **Currently available, simple spreadsheet software can be used for the information needed**
- **Better accounting practices help ensure equity and true financial partnerships**
- **Tools and techniques to achieve these objectives are available from this report [January 2011]**

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Types of Transportation Services

- **Community transportation**
- **Case management transportation**
- **Personal transportation**
- **Managed care transportation**