



# PUBLIC SCHOOLS OF NORTH CAROLINA

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April 14, 2009

## MEMORANDUM

TO: Transportation Directors

FROM: Dr. Ben Matthews, Director, School Support Division  
Derek Graham, Section Chief, Transportation Services

SUBJECT: Budget Shortfall – Transportation Implications

As noted in the April 13, 2009 memorandum to superintendents from DPI Chief Executive Officer Dr. Bill Harrison, North Carolina's revenue projections have been very disappointing, creating a severe cash flow problem for the state. The only way to make up that deficit is to cut back on the actual expenditure of funds already allotted. That is, the state must generate significantly more REVERTED FUNDS than in a typical year. Reverted funds are funds that have been allotted which, when unspent, REVERT to the state's general fund. All reversions in PRC 56 - Transportation - revert to the General Fund and, thereby, reduce the deficit.

At the direction of the Governor, the Office of State Budget and Management (OSBM) informed us that no LEA purchase order may be issued that requires the expenditure of state funds. Purchase orders for goods that have been ordered but not received must be cancelled. All travel at state expense is cancelled and vacant positions funded from state sources may not be filled.

It is noted in Dr. Harrison's memo that special exceptions may be made for emergency situations related to public safety. Maintaining school buses in safe operating condition is related to public safety. Expenditures that are absolutely essential to providing safe transportation through the end of the school year will be approved. However, other expenditures are not to be approved.

This memorandum will provide guidance in carrying out this directive.

**NOTE 1: LEAs will not be penalized in next year's transportation funding process for complying with this directive and not spending your entire 2008-2009 state allotment for PRC 56 – Transportation.** DPI will amend the TD-1 Annual Report form to provide an opportunity to report state funds that would have been expended on legitimate purchases, but which were halted due to this state budget action.

The following questions and answers should help you in implementing this directive which impacts the expenditure of STATE FUNDS.

### SCHOOL SUPPORT DIVISION

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## FUEL, PARTS, TIRES

1. Can I purchase fuel? If you need diesel fuel to operate school buses for the remainder of the school year, then that purchase is authorized. You are not authorized to "top off" your tanks for next school year. You are not authorized to purchase bio-diesel at a per-gallon cost in excess of ultra-low sulfur diesel fuel.
2. Can I purchase repair parts? You are authorized to purchase repair parts for school buses that are out of service if you do not have the parts in stock. You are authorized to purchase repair parts to keep up the required preventive maintenance on school buses, if you do not have the parts in stock. You are not authorized to purchase repair parts that you currently have in inventory or for which there is no immediate need (i.e. no "re-stocking").
3. Can I purchase major bus components? No. You are not authorized to purchase engines, transmissions, differentials, etc. without email approval from your DPI field consultant.
4. Can I purchase tires? No. As long as there are sufficient tires in inventory to allow the school bus fleet to operate safely through the end of the school year, you are not authorized to purchase tires. If you have sent tires to a recapper, you should contact that vendor immediately to cancel the order and ask that they carcasses be held for you until they are notified to proceed. Any emergency tire purchases must include supporting documentation indicating the IMMEDIATE need for additional tires. Please contact your DPI Field Consultant for approval.

## TRAVEL

5. Can state funds be used to pay mileage, room or meals for employees to attend district or state ROADeOs or the North Carolina Pupil Transportation Association Conference in June? No.
6. Can state service trucks be driven to district/state ROADeOs or the NCPTA conference? No.

## VACANCIES

7. Can I fill a vacant position? According to the OSBM directive, non-instructional VACANT positions, except those for which prior commitments have been made, shall not be filled. You may hire bus drivers to complete the school year as providing transportation is considered to be a mandatory obligation. However, mechanic and administrative positions may not be filled.

## OPERATIONS

8. What about ongoing expenses such as utilities and contract transportation? These are authorized through June. In most cases, these are not new expenses, but are continuations of existing contracts.
9. What about Summer School after June 30? Carryover funds have not been authorized by OSBM at this time. LEAs should consider this when planning Summer School after June 30. To the extent that funds are available (before and after June 30) from sources other than PRC 56, you may operate buses on a reimbursement basis as usual. Drivers may not be paid from PRC 56.
10. Can I reimburse local or federal funds, for expenditures incurred, **FROM STATE PRC 56**? No.

## NEW VEHICLES

11. Can I purchase license tags for new school buses? Funds have been allotted for highway use tax for replacement school buses delivered through April 9 and should be tagged. For buses delivered April 24 – June 30, state funds may NOT be spent for tags and highway use tax. These funds will be allotted after July 1.

12. When will replacement service trucks be delivered and what will be the impact? We anticipate that replacement service trucks will be delivered in June and no state funds may be spent for tax/tags in the current fiscal year.

## TRANSPORTATION ALLOTMENT IMPLICATIONS FOR 2008-2009

13. What is the status of **Early College** contingency allotments for the second semester? What is the status of the “regular” **Contingency Fund** allotments? These contingency approvals are being calculated and will be used in determining your transportation funding base for 2009-2010. However, there are no plans to issue additional allotments before June, 2009. Due to the favorable fuel cost situation and the freeze in spending, it is anticipated that not receiving these funds will not be a hardship. For LEAs that were planning on these contingency allotments to make it through the year, Transportation Services will handle requests on a case-by-case basis.

## TRANSPORTATION ALLOTMENT IMPLICATIONS FOR 2009-2010

14. What kind of reporting is necessary? DPI Transportation Services Staff will be extracting expenditure data for PRC 56 that your finance officer reports to the State as of the end of March. Those data include the budget balance for each LEA as of the end of the month and can be used as a mechanism to verify that expenditures for tires, parts, fuel, etc. are minimized through June.

15. How does this reduction impact next year’s allotment? **Assuming that the data show your transportation expenditures through June, 2009** to be in compliance with the Governor’s Order, then it is our intention to include funds in your funding base for next year (2009-2010) that meet the following criteria: (a) funds that you were allotted and that you planned to spend from April 9 – June 30 and (b) that you were not able to spend due to the budget crisis.

16. What is the impact of this year’s reduced fuel prices? Due to unforeseen reductions in fuel prices, LEAs were over-allotted for fuel this year. Fuel was allotted at \$2.40 per gallon and the fiscal year-to-date price per gallon is now \$2.32 and projected to be \$2.20 per through May. The “school-year-to-date” averages are even lower. The eligible expenditures for 2008-2009 will also consider this reduction in calculating simulator budget ratings. In short, a reduction in total eligible expenditures is anticipated due to this reduction.

These directives are aimed at solving the budget situation for the 2008-09 fiscal year. At this point, the directive does not pertain to operations beginning July 1. The General Assembly biennial budget will provide direction for 2009-2011. As we receive direction regarding any 2009-2011 spending restrictions, we will pass them along.

DPI Transportation Services will continue to keep you posted. Thank you for your cooperation during these difficult times.