

# Student Fees Review

## **District 64 Community Finance Committee Spend Management Study Group**

Update Report to Board of Education

February 9, 2009

## Fees Review Project – Outline of Our Report

---

**Last September, the Board and Administration asked the CFC to:**

- **Review how other local districts set fees and how waivers are handled**
- **Compile comparative data to help the Board of Education explore the purpose and guidelines for how and when fees are charged**
- **Analyze the current fee schedule and recommend adjustments for 2009-10**

**Our report tonight includes the following:**

- **Our findings, conclusions, and implications for student fee practices**
- **Possible alternatives to consider when setting student fees**
- **A request for Board feedback and direction in anticipation of recommending changes to practices and schedule**

## Brief Summary of Overall Process

---

- **Sub-team of CFC community members: Kent Bergren, Dave Govertson, Jun Lim, laboring under the watchful eye of our project manager, Craig Elderkin**
- **Strongly supported by D64 Administration: Diane Betts, Bruce Martin**
- **Held several working sessions from September to February**
- **Documented and analyzed D64 student fee revenues**
- **Documented and analyzed fee-related expense categories**
- **Interviewed middle school principals and heads of programs as necessary**
- **Surveyed nine peer districts for data on fees and fee policies**
- **Briefed CFC planning team and CFC as a whole on a regular basis**
- **Considered out of scope the following:**
  - **We did no analysis of the current District 64 purchasing, budgeting, and cost management processes. Data from these processes were used as inputs to our analysis**
  - **We did not evaluate the efficiency or effectiveness of any District 64 program, including the expenses for those programs**
  - **While we recognize that each school district has a unique financial condition, we made no attempt to incorporate financial condition into our analysis of fees**

3

## Fee Definitions

---

- **Student Fees are used to pay for a portion of costs incurred by District 64 to support its educational mission**
- **The charging of fees is permitted by law and is a common practice in school districts**
- **Two key characteristics of fees:**
  - The population being charged the fee
    - ❖ Mandatory fees are charged each student attending school in District 64
    - ❖ Participatory fees are charged only for students participating in a particular activity
  - The costs being recovered through fee revenues: revenues may cover all or only a portion of the expenses incurred for a fee category

4

## Fee Categories – Mandatory Fees

---

- **Textbooks**
  - Based on the average annual cost of textbooks and related materials based on a 5-year useful life
  - Does not include freight, rebinding, or other incidental expenses related to repair
  - Can be supplemented by State of Illinois Textbook Loan Program
- **Middle School Electives**
  - Based on the cost of consumable materials required for the elective course
  - Does not include expenses incurred to repair or replace equipment
- **Middle School PE**
  - Based on the cost of gym uniforms (purchased once in middle school only), lock rental, and towel service
  - Does not include the costs of purchasing materials, athletic supplies, or equipment
- **Technology**
  - Based on the costs of PCs, printers, software, ink, and paper associated with student use of computers
  - Does not include servicing and repair charges, network costs, or costs associated with staff use
- **Supplies** – Based on a portion of the cost of general supplies and materials used in the classroom
- **Activities** – Based on the cost of school dances, special speakers, parties, clubs, intramurals, admission to interscholastic events, related staff supervision and leadership, and related transportation as needed

5

## Fee Categories – Participatory Fees

---

- **Transportation**
  - Based on a per-student proration of the amount paid to the bus company per the contract with the District
  - Levied only on those families with students residing outside the eligible area for free bus service
  - Fee does not cover the costs of staff who supervise bus loading/unloading or of managing the transportation function
- **Interscholastics**
  - Based on athletic conference membership fees, referee fees, and transportation
  - Does not include the stipend payments to D64 coaches, equipment or uniform expenses, or space rental
- **Instrumental Music and Chorus**
  - Based on the cost of music books, instrument supplies, festival transportation, master classes, and judging fees
  - Does not include the cost of teacher salaries or stipends, equipment purchase or repair
- **Elementary Lunch Supervision** – Based on the cost of supervising students during the lunch hour
- **Food Services** – Based on the cost of providing school lunch and/or milk
- **Before/After School Program** – Based on the cost of supervising students before school and after school

## District 64 Fee Analysis – Our Process

- **Pulled revenue and expense data by fee category**
  - Expenses
    - Actuals from four school years: 2004/05, 05/06, 06/07, and 07/08
    - Budgeted for 2008/09
    - Projected Textbook expenses for 2009/2010
  - Revenues
    - Actuals from three school years: 2005/06, 06/07, 07/08
  - Derived averages to smooth out annual revenue and expense differences
- **Calculated per student revenue, expense, and variance in the fee categories of Textbooks, Middle School Electives and Middle School PE**
- **Calculated a ratio of revenues to expenses in most fee categories to show how well fees cover related expenses – the “coverage ratio”**
- **Summarized data follows immediately; details available in Appendix section**

7

## Fee Revenue and Expense Relationships Textbooks, Middle School Electives, Middle School PE

Fee Category	Average Annual Total	Average Annual Per Student
<b>K-5 Textbooks</b>		
Revenues	\$355,330	\$130.54
Expenses	<u>293,328</u>	<u>107.76</u>
Variance	\$62,002	\$22.78
<b>6-8 Textbooks</b>		
Revenues	\$121,431	\$77.94
Expenses	<u>112,070</u>	<u>71.93</u>
Variance	\$9,361	\$6.01
<b>6-8 Electives</b>		
Revenues	\$92,952	\$89.49
Expenses	<u>101,839</u>	<u>98.06</u>
Variance	(\$8,887)	(\$8.57)
<b>6-8 PE</b>		
Revenues	\$32,347	\$20.76
Expenses	<u>34,799</u>	<u>22.34</u>
Variance	(\$2,452)	(\$1.58)

## Revenue-to-Expense "Coverage Ratio" for Technology, Supplies, Interscholastic, Instr. Music

Fee Category	Average Annual Fee Revenues	Average Annual Expenses	Coverage Ratio
Technology	\$149,342	\$515,733	29%
K-5 Supplies	\$79,902	\$226,289	35%
6-8 Supplies	\$54,933	\$69,197	79%
Interscholastics	\$1,200	\$1,635	73%
Instrumental Music	\$29,605	\$25,473	116%

9

## Revenue-to-Expense "Coverage Ratio" for Middle School Electives, Middle School PE, Textbooks

Fee Category	Average Annual Fee Revenues	Average Annual Expenses	Coverage Ratio
Art Elective	\$21,248	\$24,329	87%
FACS Elective	\$15,603	\$22,724	69%
Foreign Language Elective*	\$15,145	\$9,957	152%
General Music Elective*	\$7,832	\$21,687	36%
Industrial Tech Elective	\$36,180	\$53,064	68%
PE	\$32,347	\$43,763	74%
Textbooks**	\$476,761	\$406,764	117%

\*Note: Foreign Language & General Music fee revenues cover the cost of textbooks

\*\*Note: Textbook expenses do not include the cost of warehousing

10

## Qualitative Findings

---

- **We did not perform detailed revenue and expense analysis for the remaining fees of activities, transportation, food services, elementary lunch supervision, and before/after school supervision**
- **Findings were determined through interviews with key Administrators who are in charge of the use of these fees**
- **Middle School Activities** – The fee of \$60 per student was analyzed through interviews with the middle school principals
  - Programs/activities that are supported by fees are over-seen by each school's administrative office
  - Fees are used only for student-related school activities
  - Cost of providing the activity bus is the single largest expense item
  - Each middle school reports a small surplus in the activity fund
- **Elementary School Activities** – The fee of \$4 per student was not analyzed

11

## Qualitative Findings (continued)

---

- **Transportation**
  - The transportation fee is paid by parents of fewer than 70 students who are not eligible for free bus service
  - The fee is re-calculated annually on the basis of the pro-rated per-student cost of the transportation contract with the bus company
  - Fee has been increased over the past few years in \$5 increments to roughly match the increase in the cost of the contract (CPI increase, generally)
- **Elementary Lunch Supervision**
  - Fees are intended to cover the full cost of running the program. Biggest cost is payroll for the lunch employees (145 workers at 5 schools working 3 to 5 days per week). Other covered costs include supplies, CPR/First Aid training, other training and development for the staff, sports equipment, and games for recess time during inclement weather.
  - Program has goal of retaining 3 month cash reserve. In recent years, surplus built up beyond that limit, so fees were reduced in 2006 and have been maintained at that level since then.
  - Expectation is that this year, reserves will have diminished to the desired level. Historically, fees are not increased until the reserve diminishes, and the amount of the fee increase is set so that a fee increase is not expected to be needed for at least 5 years.

12

## District 64 Fee Analysis General Conclusions

---

- **All fees are managed through the normal school district accounting procedures**
- **Generally, fee revenues usually do not cover the entire cost of providing a program or service**
  - The percentage of expenses explicitly identified as fee-related compared to total non-labor expenses for a program varies from 29% to 152%
  - Additional expenses are incurred that are not identified as fee-related expenses, but are required to deliver the program or service
- **Generally, professional salary-related expenses, such as teacher and staff stipends as coaches or music directors, are not considered in the setting of fees**
  - Exceptions are Before/After School Child Care, after-school clubs supervision, and lunch supervision
- **Generally, equipment expenses are not included in the setting of fees**
  - Exceptions are student-related technology and specific equipment used by after-school clubs

13

## Conclusions: District 64 Fee Analysis Textbooks

---

- **The current practice of the textbook fee is to cover 100% of the initial purchase cost of textbooks over the life of the textbook**
- **Textbook costs are well-identified**
- **Textbook fees are calculated over multiple years because textbooks are purchased for use over the several years that a specific textbook adoption is in effect**
- **K-5 textbook fee revenues have been higher than the identified textbook costs over the past few years due to delaying new textbook adoptions**
- **6-8 textbook fee revenues have slightly outpaced textbook costs over the past few years**
- **State of Illinois Textbook Loan program is utilized to offset textbook cost**

14

## Conclusions: District 64 Fee Analysis Middle School Electives & PE, Middle School Activities

---

- **Middle School Electives**
  - In aggregate, elective revenues cover 100% of consumables as intended
  - These costs are well identified
  - However, fee revenues do not cover all expenses related to electives; coverage varies from 36% to 152%
- **PE**
  - PE fee revenues cover 100% of the costs they are intended to cover
  - When additional PE-related costs are included, PE fee revenues cover 74% of total costs
- **Activity**
  - Activity fees provide sufficient revenues to fund a variety of student activities
  - Activity fees currently have a surplus at each middle school
  - The use of Activity fees is over-seen by each school principal guided by the Illinois School Code for the direct benefit of students

15

## Conclusions: District 64 Fee Analysis Technology, Supplies, Instr. Music, Interscholastic

---

- **Technology**
  - As intended, technology fee revenues offset 29% of total technology costs
- **Supplies**
  - As intended, supply fee revenues offset 35% to 79% of total supply costs
- **Instrumental Music**
  - The intention is to cover 100% of all instrumental music related expenses excluding salaries and stipends
  - The current coverage ratio is 116%.
- **Interscholastic**
  - The intention is to cover 60% of interscholastic related expenses excluding salaries and stipends
  - The current coverage ratio is 73%

16



## Conclusions: District 64 Fee Analysis Transportation, Elementary Lunch Supervision

---

- **Transportation**

- Fees are calculated in a fair and reasonable manner
- Fees are adjusted annually in order to keep up with any changes in the bus contract

- **Elementary Lunch Supervision**

- Fees capture 100% of the cost of the program
- Fees are adjusted periodically to accommodate both surplus revenues and cost deficits
- Fee setting process employs a five year time horizon

17

## Peer District Analysis – Our Process

---

- **Sent out and received surveys from 7 school districts**

District 28 (Northbrook)

District 34 (Glenview)

District 39 (Wilmette)

District 57 (Mt. Prospect)

District 59 (Arlington Hts., Des Plaines, Elk Grove, Mt. Prospect)

District 62 (Des Plaines)

District 63 (East Maine)

- **Requested fee information in several categories: Textbooks, supplies, technology, mandatory activity, extracurricular activity, transportation, food services, supervision, others**

- **When no fees were reported, we assumed fees were not charged**

- **Details are included in the Appendix**

18

## Range of Reported Fees and Rank of District 64

Fee Category	Fee Range	District 64 Rank	Comment
Textbooks	\$15-208	#2 of 7	#1 in grades 1-5 (\$15-143) #3 in grades 6-8 (\$18-208)
Supplies	\$5-35	#1 of 5	3 districts do not explicitly charge for supplies
PE	\$16-32	#1 of 7	
Technology	\$25-45	#1 of 2	6 districts do not explicitly charge for technology
Mandatory Activity	\$4-110	High Tier	3 of 8 districts charge the same for all grades (K-8); many districts vary fees at different grades
Combined Mandatory	\$15-273	#1 of 8	Total of all mandatory fees

19

## Range of Reported Fees and Rank of D64 (continued)

Category	Range	D64 Rank	Comment
Electives	\$6-33/ class		No other district explicitly charges for electives
Food	\$1.75- 3.10	Mid to low tier	2 - no lunch; 2 - grades 6-8 only; 4 - grades 1-8
Milk	\$10- 106	#5 of 6	
Lunch supervision	\$145		No other district explicitly charges for lunch supervision
Transportation	\$220- 500	#1 of 8	
Before/After School Program			Some districts charge hourly, weekly, monthly

20

## Findings: Peer District Analysis – Table: Jack and Jill

Jack 4 <sup>th</sup> grader	D64 Park Ridge	D39 Wilmette	D57 Mount Prospect	D34 Glenview	D63 East Maine	D62 Des Plaines	D59 Arlington Heights, Des Plaines, Elk Grove, Mt. Prospect	D28 Northbrook
<b>Combined Mandatory</b>	<b>\$222</b>	<b>\$155</b>	<b>\$153</b>	<b>\$104</b>	<b>\$90</b>	<b>\$80</b>	<b>\$45</b>	<b>\$15</b>
<b>Beginning Instr. Music</b>	<b>\$33</b>			<b>\$43</b>	<b>\$105</b>		<b>\$10</b>	
<b>Transport- ation</b>	<b>\$500</b>	<b>\$450</b>	<b>\$380</b>	<b>\$270</b>	<b>\$400</b>	<b>\$384</b>	<b>\$397</b>	<b>\$220</b>
<b>Total</b>	<b>\$755</b>	<b>\$605</b>	<b>\$533</b>	<b>\$417</b>	<b>\$595</b>	<b>\$464</b>	<b>\$452</b>	<b>\$235</b>
<b>Rank</b>	<b>1</b>	<b>2</b>	<b>4</b>	<b>7</b>	<b>3</b>	<b>5</b>	<b>6</b>	<b>8</b>

21

## Findings: Peer District Analysis – Table: Jack and Jill (continued)

Jill 7 <sup>th</sup> grader	D64 Park Ridge	D39 Wilmette	D57 Mount Prospect	D34 Glenview	D63 East Maine	D62 Des Plaines	D59 Arlington Heights, Des Plaines, Elk Grove, Mt. Prospect	D28 Northbrook
<b>Combined Mandatory</b>	<b>\$232</b>	<b>\$195</b>	<b>\$162</b>	<b>\$233</b>	<b>\$115</b>	<b>\$85</b>	<b>\$45</b>	<b>\$39</b>
<b>Instr. Music</b>	<b>\$44</b>	<b>\$235</b>	<b>\$60</b>	<b>\$68</b>	<b>\$105</b>	<b>\$20</b>	<b>\$10</b>	
<b>Basketball</b>	<b>\$100</b>	<b>\$330</b>	<b>\$123</b>		<b>\$35</b>	<b>\$25</b>		
<b>Elective (6)</b>	<b>\$110</b>							
<b>Total</b>	<b>\$486</b>	<b>\$760</b>	<b>\$345</b>	<b>\$295</b>	<b>\$255</b>	<b>\$80</b>	<b>\$105</b>	<b>\$39</b>
<b>Rank</b>	<b>2</b>	<b>1</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>7</b>	<b>6</b>	<b>8</b>

22

## Summary of Peer District Analysis

---

- **District 64 has the most detailed fee structure**
- **District 64 fees rank near top in most fee categories**
- **Few districts have separate charges for electives, lunch supervision and technology**
- **Most districts do not have formal fee policy (3 of 7 answered)**
- **Some districts conduct an annual review (3 of 7)**
- **Most districts post fee schedules on their web sites**
- **All districts in the peer group have mechanisms in place to waive fees**
- **It appears that District 64 relies on user fees to a greater extent than peer districts**

23

## Supplemental: Deerfield's Written Policy

---

**Deerfield District 109 (not included in our formal Peer Group), developed a "philosophy" statement that describes the purpose of student fees. Key elements of this policy include:**

- **District 109 School Board attempts to balance each fee against potential impact on educational goals and objectives**
- **The process of setting fees originates from the Administration, and includes the specific fees to be charged, amounts, estimate of revenues, and a timeline for collection**
- **Fees are audited annually for adherence to the "coverage" criteria established for each fee**

24

## Alternatives – Key Facts to Consider

---

### Fee Philosophy

- **District 64 fees are higher than peer districts**
- **Fees are not intended to recover all category-related expenses**
  - Non-labor costs such as book and equipment repair, storage, inventory management, and so forth
  - Labor costs such as staff salaries and stipends
- **The current fee structure has developed over time as issues arose regarding specific categories**
- **Cost recovery goals and the annual review process used to set fees vary by category**

### Fee Structure

- **District 64 fee schedule is more detailed and more complex than peer districts**
- **Current detail provides explicit guidance to the annual budget process**
- **Significant effort is required to conduct comprehensive annual reviews of all fee categories**

### Communications

- **As with peer districts, fee philosophy and rationale are not clearly communicated to student families or taxpayers**

25

## Alternatives – Decisions to be Made

---

### Fee Philosophy

- **Increase, decrease, or maintain the proportion of costs paid by student families compared to taxpayers**
  - Consider expanding the cost base definitions for the partial or total recovery of additional non-labor costs and/or legally-allowable stipend costs for selected programs.
- **Set explicit “cost recovery” targets for some or all fees as a means of managing net expenses**
  - Make selective adjustments to current fees based on fee study results

### Fee Structure

- **Retain current structure**
- **Simplify current structure**
  - Reduce the number of fee categories
  - Set a single fee that “rolls up” all current fees

26

## Alternatives – Decisions to be Made (continued)

---

### **On-going Fee Setting**

- **Fees could be set using different approaches depending on decisions about Fee Philosophy and Fee Structure**
  - Reset annually using 5-year rolling average based on annual cost reviews
  - Reset annually according to a simple rule, such as CPI growth
  - Establish a multi-year schedule to close gaps between current and target cost recovery targets
- **These approaches could be used in combination based on the particular category**
  - For example, Textbooks: annual cost review; Supplies: CPI growth; Technology: multi-year schedule to close cost recovery target gap

27

## Alternatives – Decisions to be Made (continued)

---

### **Communications**

- **How explicitly should fee practices be described and explained?**
- **Detail could include:**
  - Rationale for each fee category
  - Historical revenue and expense data per fee
- **Communications activities could include:**
  - Policy statement, like Deerfield
  - Update existing Fact Book chapter
  - Expand description in the handbook
  - Expand description on the "Pay Student Fees" section of the website
  - Provide additional information at the time of billing

28

## Next Steps

---

- **Incorporate Board feedback**
- **Identify additional alternatives as needed**
- **Cost out alternatives**
- **Make recommendations to Board**