

The More Things Change, the More They Remain the Same

Tagged: [Newsletter](#) • [Oct](#) • [2009](#)

By: Michael M. Adamczyk, RSBA, CFO, Assistant Superintendent, Business Services, Troy School District, and President of MSBO

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I'm sure you have all heard this phrase before. In fact, it is so common a phrase, that we even learned it in my high school French class—plus de choses changent, plus qu'ils restent les mêmes. But is there any truth to this phrase? I decided to visit the [MSBO](#) website and see what we were talking about in our November newsletters, which date back to 2002. I discovered we have a “theme” for our November newsletters—ominous budget projections.

The 2002 newsletter had an article entitled “Budget blues for Michigan schools.” Quite a catchy phrase and one we could use even today. The article stated that the Citizen's Research Council had recently released a report that state revenues were coming in worse than expected, and the use of one-time revenue sources had created a large structural deficit without any new revenue sources to provide support for existing programs. The article went on to report about the possibility of cutting categorical revenue for the 2002-03 school year. That possibility became a reality as the foundation allowance was reduced \$50 per pupil mid way through the school year.

The lead article in the November, 2003 issue was “Bleak revenue means blues for schools.” It reported that state fiscal projections were off for both the 2003 and 2004 fiscal years, and the governor and legislature needed to solve a budget problem that left a shortfall in both the General and School Aid Funds. Sound familiar? The article talked about potential proration amounts in the \$185 to \$200 per pupil range. The actual proration that year was \$74 per pupil. Two districts, Adrian and Grandville were spotlighted and they talked about what they were doing in their respective districts to deal with the budget issues. The talk centered on making reductions that would not affect the instructional process avoiding the use of fund equity as a long term solution.

How much money the Michigan Lottery contributes to the School Aid Fund was the focus of the November, 2004 article. Sales taxes, income taxes, and the 6 mill SET made up approximately 72% of the \$12.312 billion SAF for 2004-05. A recent budget projection I saw estimates that the SAF fund for 2010-11 will be \$12.476 billion assuming a 3.1% increase. It's obvious that School Aid Fund growth has been virtually non-existent over this seven-year period. The article closed by saying that “despite the lottery's contribution to education, the state's current budget crisis continues to leave schools struggling with how to make dollars stretch to pay the bills.”

President Jeff Mills wrote an article in November, 2005 analyzing five years of financial data from the Michigan Department of Education Bulletin 1011. Jeff reported about the deteriorating financial condition of Michigan school districts, noting that the total state wide average fund balance for the 2003-04 fiscal year was 12.51 percent, down from 13.66 percent from the year before. 20 districts were following a deficit reduction plan (there were 27 deficit districts for the year ending June 30, 2008). A chart showed that on a per pupil basis, statewide revenues were \$8,530, but expenditures were \$8,607 for the 2003-04 school year, an imbalance of \$77 per pupil.

There was no newsletter published in November of 2006, but in November, 2007 President Stephanie Eagen wrote about consolidation of services. PA63 of 2007 required each ISD to conduct a study involving consolidation opportunities for their constituent districts, including the ISD. The ISD had six months to file a report with the MDE and the MDE then had two months to prepare a summary of the information for the legislature. Stephanie said “the consolidation of services issue isn't going away”. How true these words are. In order for a school district to have flexibility in applying all or a portion of their \$165 per pupil reduction against non-protected categoricals, Section 11D.(2) of the K-12 budget that was passed on October 9 states: NOT LATER THAN FEBRUARY 1, 2010, A DISTRICT SHALL ENTER INTO AN AGREEMENT WITH THE DEPARTMENT TO DEVELOP A SERVICE CONSOLIDATION PLAN TO REDUCE SCHOOL OPERATING COSTS THAT IS IN COMPLIANCE WITH DEPARTMENT GUIDELINES. THE DEPARTMENT GUIDELINES MAY IDENTIFY, BUT ARE NOT LIMITED

TO, ALLOWABLE COST-SHARING ARRANGEMENTS FOR THE PROVISION OF BUSINESS SERVICES AND INSTRUCTIONAL SERVICES AND THE CREATION OF JOINT OPERATING AGREEMENTS BETWEEN AND AMONG DISTRICTS AND INTERMEDIATE DISTRICTS. THE DEPARTMENT SHALL ESTABLISH GUIDELINES FOR SERVICE CONSOLIDATION PLANS UNDER THIS SUBSECTION NOT LATER THAN 60 DAYS AFTER THE EFFECTIVE DATE OF THIS SECTION.

I have not seen any department guidelines at this point, but it is obvious that we will be looking into consolidation of services again. We have been cut by \$165 per pupil plus a handful of categoricals, and the ISD's have a 20% reduction in their section 81 funding. From what I have been hearing all year, next year will be even worse. We all know about the impending funding cliff, and an article that ran in the [Detroit Free Press](#) on September 27 said that the next two fiscal years are likely to be even more ugly than the current year, and that the economy for Michigan over the next 18 months will be just as bad as it currently is if not worse. None of this bodes well for the funding of our schools. We will continue to deal with a system of school funding that clearly is not working, and I'm afraid that the number of deficit districts will continue to grow. I'm not sure if much has changed—children are still being educated, the buses continue to roll, football teams take the field every September—but in terms of our budget struggles, much has remained the same.

403(b), your plan is in compliance, now what??

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I would imagine by now that most school districts in Michigan have a compliant 403b plan document despite the 11th hour reprieve from full compliance by January 1, 2009. If you haven't adopted a plan document by now you must do so by December 31, 2009 and it must be retroactively compliant back to January 1, 2009.

With the big hurdles of adopting a plan document and establishing a compliant reporting system behind us, many districts collectively exhaled and have set their programs aside and back on "auto pilot". It is another accomplishment to put behind us much like Y2K and GASB 34. Or is it?

School districts are in an unprecedented position as the administrators of a 403b Plan. This is a significant change from the former role of depositor into our employees' individual plans. This new authority offers some opportunities for improving plans for both the district and our employee's benefit. Districts now have the opportunity to use the power of plan assets to bid or negotiate the services of the vendors that service the plan.

There are now over \$612 billion of assets in 403b accounts nationwide in 2008 according to the Spectrem Group. Districts now have a unique opportunity to review the products that are being sold in the district's plan. Much like 401k programs in the private sector, both the vendors and products are now under the control of the plan administrator. Districts can utilize the purchasing power of their entire plan to negotiate with their approved vendors to drive down the excessive fees and charges that have historically been charged to 403b clients nationwide. One would only need to Google "the fleecing of teacher's 403bs" to find dozens of articles that discuss the fact that educational employees have been paying investment fees on our individual deposits that are not common in the 401k world. Many of our investments were carrying fees or "loads" that were 5-6% higher than our 401k counterparts for the exact same investments. Certainly there is a place for some fees to help manage our investments. A competitive bid can help a district determine what an appropriate fee might be for these services.

Does your district have an obligation to utilize its new standing as plan administrator for better services and lower fees under the IRS regulations? No it does not. Your district has an opportunity to enrich the benefit of our plans for our colleagues and ourselves.

Your district might also consider the benefits of negotiating a board paid annuity match plan as opposed to a salary raise in these tight financial times. Unlike a salary increase, it doesn't compound in perpetuity on a pay scale. In addition to increasing participation in the district's plan, board paid 403(b)7 funds can be deposited without FICA expenses for either the district or the employee.

So before you put your district plan back on the shelf, consider if you have done all you can to enrich this benefit opportunity for your fellow employees.

Michigan's Public Education Funding Crisis—A Collaborative Response

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By: David Martell, Executive Director, MSBO

The education community is frustrated, but I know that as business officials, you are especially frustrated and weary, performing triage in the trenches as we all fight the School Aid funding battle for Michigan's children. It also seems that there are times that, although we are working toward the same goal with good intentions, we sometimes allow our impact to be mitigated by others as we labor in the fight to enhance the dwindling resources the state allocates to public schools. We are simply not always on the same page as an education management community.

[MSBO](#) , [MASB](#) and [MASA](#) have joined together to address the needs of our respective members and K-12 education as a whole as they relate to the present and looming funding crisis in public education. We see many benefits of a collaborative approach including:

Strengthening a cooperative working relationship with [MASB](#) and [MASA](#)

Creating a single voice and common messages for responding to the financial crisis, reducing confusion among members and presenting a united response

Avoiding duplication of efforts

Assuring that a high level of activity and focus are devoted to responding to the financial crisis and assisting school districts and members of the respective organizations

This special task force—the SOS Task Force—Save Our Students, Save Our Schools, Save Our State – will help districts weather the storm. We have retained Tom White to help us coordinate these activities and we will work with him to provide direction to the task force.

The task force of stakeholders will identify and address the needs of schools and members of our respective organizations. It will be a “working” task force, in which the needs of school districts are identified, with members of the task force accepting responsibility for assisting in meeting those needs. We anticipate the task force will meet on an as needed basis. The task force begins work this month and continues through June 2010.

Tom's expertise as a long-time education advocate will be to coordinate activities of the task force and help craft a consistent message. He will spearhead meetings with key sub-groups and/or individuals to obtain input and support for these activities. Not only do we want to create a more unified message but we also hope to provide useful resources, training, and policy development.

The SOS Task Force will focus on:

Developing materials for an online resource center for districts to use in responding/coping with the financial crisis.

Developing and maintaining media contacts for the purpose of providing information and/or directing the media to people within the education community who can, “tell the story” of what is happening to schools as a result of cuts in funding.

Creating message points and materials that will be made available to schools for dealing with their local media and community.

Creating or otherwise generate newsworthy information to help the public understand and appreciate the financial situation facing schools.

Coordinating training programs to assist members in managing the financial crisis in their district.

Assisting in development of policy solutions and options, providing short-term assistance and long-term solutions

for assuring stable and adequate funding for public education.

Assisting school districts to build grass roots networks through the use of social media and other mechanisms to support and advocate for better funding for Michigan's schools.

This is a tremendous endeavor. We will need the expertise and passion of members in each of the three associations to make sure we are successful. If there was ever a time to share your expertise for the greater good, it is now. Use the tools that will be provided and help get our message out concerning the school funding crisis in our districts and around the state. Help us Save Our Students, Save Our Schools, and Save Our State. It's time to be a part of the solution and help future generations of Michigan's students.

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The day's agenda includes:

Mary Ann Cleary of the House Fiscal Agency discussing Michigan's economy and the revenue picture for the current and coming fiscal years. Deputy Superintendent Carol Wolenberg will give a view from the Superintendent's Office. Both will offer thought provoking and useful insights into the present and future of education in Michigan that will help you prepare and position your district.

Additionally, we have the usual meaty and diverse topics addressing many issues that affect you. Topics include:

ARRA: Get an update on ARRA issues including Reporting Requirements and the Second Wave of Funding.

MPERS Issues: The Office of Retirement Services will discuss bill backs and reconciliations, reporting issues and updates on the possible change in payment requirements.

Legislative Update: Find out what Lansing is doing now and what's in line is always helpful, even if it isn't uplifting!

Changes in State Aid: Review changes in School Aid for the current year including any potential calculation changes and categorical funding changes.

FID Update: Get the latest and your questions answered from Glenda Rader.

Meet the new director of CEPI and hear an update from them including how the new student data system and E-Transcript system will affect your district.

In addition to all this, we'll be providing opportunities at the breaks for you to meet and speak directly with MDE staff.

[Register online.](#)

[Register by fax.](#)

Insurance Pool Seminars Offer Strategies for Managing Employment-related Risk

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The [MASB](#) -SEG Property/Casualty Pool insures more than 460 member school districts in Michigan and is often called upon to defend wrongful discharge lawsuits brought against its members. This fall, the [MASB](#) -SEG Property/Casualty Pool is hosting several regional training seminars to educate school districts on employment-related liability. **The Employment Liability: Strategies and Solutions for Schools** will equip administrators with techniques to protect themselves and their districts from allegations of wrongful hiring and wrongful discharge. The training will address applicant screening and interviewing, employee evaluations and performance documentation and timely and appropriate discipline and termination. Administrators will also learn strategies for developing appropriate documentation and responding to legal action. The Pool has retained Attorneys Timothy Mullins, Giarmarco, Mullins & Horton, PC, and William Vogelzang, Kluczynski, Girtz & Vogelzang, to present the seminars. Both attorneys have extensive litigation experience representing members of the Pool. Terry Serbin, executive director of the Michigan Association of School Personnel Administrators, will provide real-world tips and tools for addressing hiring and firing issues. The seminars are available free of charge to all districts in Michigan, including non-Pool members. Seminars will begin at 8:30 a.m. Eastern Daylight time and conclude at noon. Dates and locations are as follows: Oct. 20, Gratiot-Isabella RESD, Mahoney Center Oct. 21, Kent ISD, Grand Rapids Oct. 28, Genesee ISD, Flint Oct. 29, Weber's Inn, Ann Arbor Administrators can register for the seminars online at www.setseg.org. Click on Company Events. Click on the seminar date of your choice, and complete the online registration form. *The [MASB](#) -SEG Property/Casualty Pool is a nonprofit, self-insured pool that provides property and liability coverage to 464 member school districts throughout Michigan.*

OFIR Offers Advice to Schools Purchasing Employee Insurance

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With tight budgets and lots of uncertainty surrounding state and national health care issues, many Michigan schools and local governments may be looking to purchase new health care and life insurance policies for their employees. The Office of Financial and Insurance Regulation (OFIR) offers tips for school and local government administrators and chief financial officers shopping for the best health and life insurance plans for their employees.

“Doing a little due diligence on the front end can save local officials and school administrators time and money,” said OFIR Commissioner Ken Ross. “Get your questions answered before you sign on the dotted line.”

Verify whether an insurance agent is licensed in Michigan by visiting [OFIR's website](#) or calling 877-999-6442.

Verify that an insurance agent is appointed by an insurance company licensed to do business in Michigan by calling OFIR toll-free at 877-999-6442.

Before and after purchasing a life or health plan, verify that you have the proper coverage by making certain that the agent and insurance company have provided you with all the appropriate documentation, including applications, policy certificates and financial statements.

Before purchasing any insurance policy, interview several licensed insurance agents specializing in the health and life insurance needs of schools and local governments.

Compare the costs of equivalent coverage from several insurers to ensure you are getting the best deal.

Talk to other school and local government officials about their experiences with health and life insurers.

Before selecting a life or health plan, survey your employees to find out what coverage they consider particularly important.

Contact OFIR toll-free at 877-999-6442 if you have any questions about an insurance company, agent or product.

Electronic Communications in Your District–What You Need To Know

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By: David Palme, Director of Technology, Portland Public Schools

Electronic communication (including email) is quickly becoming the De facto standard for communicating in our educational entities. When this e-communication rises to the level of an official record, it must be stored, retained, retrieved, and even deleted according to state policy. Storing E-communications is as important as storing any type of business-related document and the failure to do so, especially in the case of litigation, can be costly.

That is the bad news, the good news is that there are several, relatively easy steps you can take as an educational entity that will keep you on the right side of the law and even more importantly, help you maintain important records. Before getting to that however, we need to frame the discussion. To do that I submit the following definition:

E-communications that meet the definition of records must be retained according to a schedule and must be accessible in the case of a FOIA request and conversely deleted according to that same schedule.

The term, E-communications is important here and should not be misconstrued as email only. Email is only one type of e-communication. E-communications also include: Internet messaging, calendars, web pages, blogs, digital images, and word processed documents, etc.

While it is important to exchange the term “email” for “e-communications”, linking it to the concept of records is even more important for two reasons. First, the State of Michigan says that certain e-communications are records and second because they have already created policy for handling records.

The State of Michigan Retention and Disposal Schedule for Public Schools accomplishes three key goals. The first is detailed above: Connection of e-communications to records.

The second is a discussion of record types and their definition. Records fit into four areas: Official Records, Transitory Records, Non-records, and Personal Records. The first two conform to the schedule and second two do not. One of the biggest issues you will face with your staff is determining where their e-communications fit.

The third key goal of the State of Michigan Retention and Disposal Schedule for Public Schools, related to records types, is the retention and deletion schedule. The schedule details the length of time a certain type of record should be retained. Inherent in this schedule are two concepts: Not all records should be kept the same amount of time and records that have outlived their schedule should be deleted. Retaining e-communications that are not considered records or past their schedule can take up needed system space, make searching for needed records difficult, and can even be embarrassing to a district if exposed in the course of a broad FOIA request.

This information should not be construed as legal advice or the best policy for your school district. Each school district’s situation is unique and before implementing any policy, you should consult with legal counsel.

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The ASBO conference offers a unique opportunity to see what districts in other states are doing to address many of the same challenges we are facing in Michigan.

Plan to register on site if you are attending. For the latest ASBO Annual Meeting information: www.asbointl.org/AnnualMeeting.

2009 Facilities Benchmarking Survey

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Data driven decisions? What data are we using when we look at our facilities operation? With all that's happening now with funding, discussion of collaboration/consolidation issues, and continuing efforts to understand our costs and efficiencies in facilities, it's important to have current information regarding this area of our operations.

[MSBO](#)'s 2009 Facilities Benchmarking Survey can help.

Benchmarking is a powerful tool for initiating and sustaining continuous improvement. Good decisions begin with good information and benchmarking provides a framework, structure, and methodology to gather essential analysis.

Benchmarking is also a powerful tool for change because it generates credible, comprehensive, comparative information that moves us from a debate about what's wrong to a discussion of how to improve.

[MSBO](#) is collecting data for our 8th Facilities Benchmarking. All Michigan public K-12 districts are asked to participate in this survey to provide comprehensive information on school facilities and the costs of maintaining them. [MSBO](#) will publish the survey in comparison groups based on size of district and region of the state.

Individual school district information will not be released.

Gathering this information regularly helps to ensure current data for comparing costs, and analyzing trends.

This survey provides useful financial benchmarking information to schools for understanding and managing their infrastructure resources. The Facilities Benchmarking Survey can help you answer two important questions:

- Where can I reduce resources and have the least negative impact?
- Where can I invest resources to have the greatest positive impact?

(Take a look at the [2007 benchmarking survey](#) results on the [MSBO](#) website.)

The [survey form and instructions](#) are posted on the [MSBO](#) website.

Districts have until October 30 to complete the survey. The information obtained will provide school districts with valuable data to assess their operational costs. Please make sure your district is a part of this important benchmarking study.

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This year's keynote speakers include Kelly E. Middleton, Associate Superintendent, Mason County Schools, Kentucky, co-author, Who Cares? Improving Public Schools Through Relationships and Customer Service. Closing keynote, Bill Quiseng, General Manager, The Inn at Bay Harbor will focus on how you can create an experience for students and parents that is so outstanding that they become walking billboards for your district.

[Register Now!](#)

View the [Conference Promo/Registration form](#). (Interactive PDF)

MI Department of Treasury Releases Diesel Guidelines for Contracted Transportation Operations

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In June of this year, [MSBO](#) received a letter from the Michigan Department of Treasury regarding the use of dyed diesel fuel by private companies that have contracted with schools to provide transportation services. The letter states that the Motor Fuel Tax Act (MFTA) only allows the use of dyed diesel, or the opportunity for tax refunds for clear diesel fuel, when buses are owned and operated by a school district. This letter effectively prohibited companies that have contracted with districts to provide transportation services from utilizing dyed diesel, or access to diesel fuel tax refunds for clear diesel.

After further review, Treasury has issued a [follow up letter](#) on this issue stating that private companies that have entered into contract with a school district to provide pupil transportation on behalf of the district (regardless of ownership of buses) are allowed to use dyed diesel or are eligible for a refund of the diesel fuel tax when utilizing clear diesel.