



National Center for Mobility Management

A partnership of





Making Decisions about Cost Allocation for Mobility Management Programs

A Learning Module: Considerations and Resources



The National Center for Mobility Management (NCMM) is a national technical assistance center created to facilitate communities in adopting mobility management strategies. The NCMM is funded through a cooperative agreement with the Federal Transit Administration, and is operated through a consortium of three national organizations – the American Public Transportation Association, the Community Transportation Association of America, and Easter Seals. Content in this document is disseminated by NCMM in the interest of information exchange. Neither the NCMM nor the U.S. DOT, FTA assumes liability for its contents or use.

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Learning Outcomes



- Enhance understanding of cost allocation as it relates to mobility management;
- Heighten ability to make cost-allocation decisions to support mobility management;
- Improve skill to evaluate cost-allocation decisions; and
- Increase knowledge of resources.

Learning Module Purpose

The intent of this learning module is to provide mobility management program administrators with information regarding the importance of cost allocation, considerations regarding establishing cost allocation plans, and resources and examples to support these plans.

This curriculum is not intended to be a source to identify funding sources or provide recommendations regarding financial supports. Nor is this curriculum intended to teach cost accounting or financial management principles. Additionally, although the general concepts of mobility management cost allocation can be considered in non-emergency medical transportation, the topic of NEMT cost allocation is too complex to adequately be addressed in this learning module. NCMM will address NEMT cost allocation in subsequent publications.

As mobility management program administrators consider implementing cost allocation systems, the contexts and circumstances unique to their community and setting must be considered.

Learning Module Contents

- Each section includes a range of information to facilitate the ability of mobility managers to either implement new cost-allocation systems or refine existing cost-allocation methods. Contents include:
 - Topical content with links to references
 - Cases and examples of content in action
 - Guiding questions to promote thought and discussion regarding the module content





Section One:

Defining and Understanding Cost Allocation

Before implementing a new transit project, it is important to plan for operation and maintenance costs...

Mobility management projects can be examined in ways similar to a new transit project...

As with any major infrastructure project, once you have decided what you want to build comes the question of how to pay for it.

***Accurate cost reporting
leads to better management of scarce resources.***

***Coordination among a variety of agencies offers an
opportunity to achieve more and better outcomes for
the same levels of investment.***



What is Cost Allocation?

- Cost allocation is the assigning of a common cost to several cost objects. For example, a company might allocate or assign the cost of an expensive computer system to the three main areas of the company that use the system. A company with only one electric meter might allocate the electricity bill to several departments in the company.
- The purpose of a cost allocation plan is to summarize, in writing, the methods and procedures that an organization will use to allocate costs to various programs, grants, contracts and agreements.



What is Cost Allocation?

Cost allocation is a financial planning technique for determining the costs of services provided to those parties receiving or otherwise benefiting from those services. The cost allocation process does not necessarily set the prices for services, but allocating costs is the first step in developing a system of charges (i.e., billing rates and procedures incorporated in fees-for-service contracts) based on the types and amounts of services provided.

[TCRP Report 144](#) recommends a proportionate cost allocation model, which means that costs are allocated among parties receiving services in the same proportions as the costs of services each recipient received.

(Alternative methods of cost allocation are used in some industries such as electrical utilities, telecommunications, and air traffic control, but these methods are substantially more difficult to apply and understand, so they are not recommended for coordinated community transportation services.)

The Need is on the Rise!

- Yet, as demand is rising, the gap between the cost for providing transit services and the dollars available to fund them is also widening.
- Transit agency managers must balance their decisions for how to deliver needed services to consumers with the costs for delivering those services.

Cost Allocation Terms

- Many different terms are used by companies to describe cost allocation in practice. You may encounter terms such as allocate, attribute, reallocate, trace, assign, distribute, redistribute, load, burden, apportion, and reapportion, which can be used interchangeably to describe the allocation of costs to cost objectives.
- In the mobility management field, cost-allocation terms can vary by state, agency, project or scope.
- [TCRP Report 144 includes an extensive glossary of related terms](http://www.tcrp.org/publications/144)

Why Think about Cost Allocation?

- Focus on increased efficiency regarding fiscal resources
- Need to collaborate and not compete for few resources
- Mobility management reaches diverse riders – funding supports and accountability for resources also need to be diverse
- Shared fiscal resources builds relationships across partners



Why Implement Cost-Allocation Plans?

- To obtain desired motivation.
 - As a way to show employees the costs related to particular activities and, thereby, serve as an incentive to keep costs low.
- To compute income and asset valuations.
 - Costs are allocated to products and projects to measure inventory costs and cost of goods sold.
- To justify costs or obtain reimbursement.
 - Prices may be based directly on costs; if not, it may be necessary to provide other reasons to justify an accepted bid.

Cost Allocation and Related Accounting Methods are Needed to:

- Ensure that all operators are recording all services and costs on an accurate and consistent basis.
- Ensure that complete information is reported on transportation services and costs and is available to a wide range of decision-makers.
- Develop a uniform service and cost-reporting methodology that can be used to track and analyze transportation services and costs.
- Share the costs of transportation services among the users and other beneficiaries of those services, when appropriate.

A Mobility Manager's Role in Cost Allocation

Fundamental mobility management practices include:

- Building and coordinating relationships between the mobility manager or entity and other stakeholders to achieve positive outcomes.
- Providing users with access to information.
- Increasing the role of technology in providing access to information.
- Coordinating activities and information at multiple levels including local, state and federal.
- Coordinating activities between the worlds of transportation and social services.
- Coordinating marketing strategies.
- Integrating mobility management efforts into local and regional planning efforts.
- **Assisting with management of financial and other resource allocations.**

Mobility Manager's Role in Cost Allocation

- Cost allocation and billing
 - Develop agreements with social service agencies to fund rides on public transportation
 - Track ridership, miles, hours, passenger-miles, costs, revenues
 - Invoice agencies based on fair share of transportation costs

<http://smartgrowthamerica.org/documents/tri-county-mm-final-report.pdf>

Cost Allocation Relies a Comprehensive Cost Accounting System

- Describing:
 - Costs incurred and services rendered
 - How funds across agencies were spent
 - Distribution of costs among the customers receiving services based on actual costs for each agency

Cost Accounting System Steps Especially Important in Human Services Transportation Coordination

- Establish an overall approach and accounting structure;
- Create agreed upon definitions and data procedures;
- Apply a standardized chart of accounts to record and analyze financial data; and
- Develop acceptable procedures for recording, reporting, and analyzing non-financial data.

Examples of Select Costs that can Comprise a Cost-Allocation Plan

- Vehicles and their use
- Personnel services – fringe, vacation
- Insurance
- Professional Services Costs (such as consultants and accounting services)
- Program supplies
- Communications – technology
- Training – professional development

OMB Circular A-122, “Cost Principles for Non-Profit Organizations,” establishes the principles for determining costs of grants, contracts and other agreements with the Federal Government. Sample Organization’s Cost Allocation Plan is based on the Direct Allocation method described in OMB Circular A-122. The Direct Allocation Method treats all costs as direct costs except general administration and general expenses.

http://www.michigan.gov/documents/mde/Model_Cost_Allocation_Plan_357993_7.pdf

Learning from Other Sectors

- In the shipping industry, logistics networks are created where shippers collaborate and bundle their shipment requests in order to negotiate better rates with a common carrier.



Defining and Understanding Cost Allocation: A Case Study

- Alan is a Mobility Manager for a small urban regional transit system in Maryland. He is tasked with starting a one call-one click center that will enable transportation users to access information on regional transportation options quickly and accurately.
- Alan knows he needs to measure eventual success outcomes but is having trouble assigning costs to all pieces of the eventual program.
- Understanding cost allocation as it applies to his mobility management program will outline how money and time should be spent on the program.

Guiding Questions

- What tools or resources could Alan use to gain a basic understanding of cost-allocation systems for mobility management?
- What is Alan's role as a Mobility Manager in assigning cost values to his program?
- What partners or organizations could be helpful to Alan as he builds this piece of his program?



Section Two:

Setting Up a Cost-Allocation System

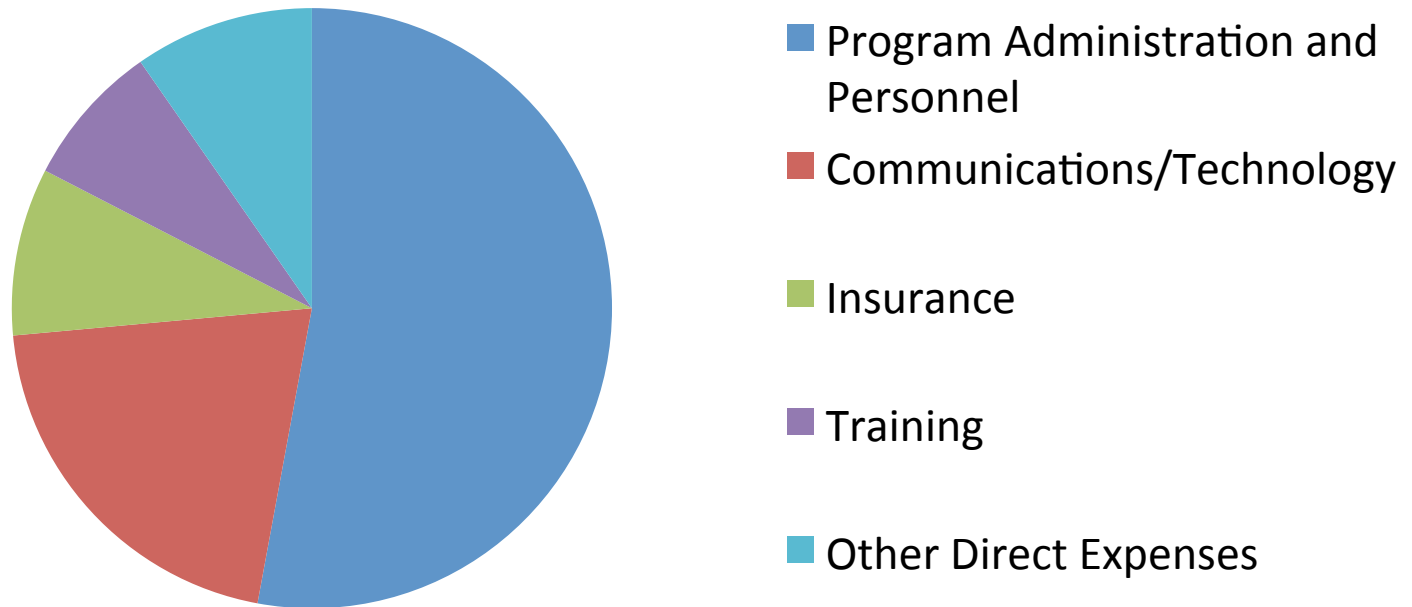


“The most important key in the early stages of cost allocation is working closely with transit operations and county stakeholders to ensure that you have the buy in to produce a high quality resource. Focus on what you can do for transit agencies, not what they can do for you. Show how your efforts go beyond the figures on paper. Show how they help the community. Secondly, outreach needs to take a multi pronged approach to reach those users who might not otherwise know about the information you provide, and having outreach money available will help in doing this.”

*~Alan Budde, Mobility Coordinator
On the importance of cost allocation.*

Example of a Cost-Allocation System for Mobility Management

Mobility Management Program A



Setting up a Cost-Allocation System for Mobility Management

- Identify mobility management services (vehicle use, administrative/labor costs, technology, infrastructure, etc.)
 - What organization or agency operates these services?
 - Are these services paid for by another organization?
- Identify Costs – both fixed and variable.
 - Can the cost be incurred by the organization/agency providing the service? Are they already built into this organization's operating budget?
 - Are there additional costs that will be incurred by the mobility management system that aren't already supported by an organization/agency?

Implementing a Cost-Allocation Plan

The process of cost allocation requires that three factors be established at the time the asset is put into use. These factors are:

- **Service life** or useful life, can be expressed in units of time or in units of activity—the estimated use that the company expects to receive from the asset.
- **Allocation base** is the difference between the cost of the asset and its anticipated residual value—the value of the usefulness that is expected to be consumed.
- **Allocation method** used should be systematic and rational and correspond to the pattern of asset use—the pattern in which the usefulness is expected to be consumed.

Factors to Consider in Establishing a Cost-Allocation Plan

- Understand differences between avoidable and unavoidable (or sunk) costs.
- A cost-allocation system is one piece of considering the fiscal supports for mobility management. Administrators should also consider:
 - Current legislative and policy initiatives.
 - Past and anticipated trends in transportation services and rider needs.
 - Economic vitality of mobility management partners.

Setting up a Cost-Allocation System: A Case Study

- Alan has conducted research to find that there are three potential partners he could work with throughout his region.
- He has also learned that there are a number of transit bills in the Maryland state house that focus on the role of technology in accessing transportation information.
- Alan can assign costs to salaries and benefits for program personnel but is having a difficult time identifying how much it will cost to develop and promote the website that will be part of the one call-one-click center. He also has no idea how much it will cost to develop a mobile app, but thinks having one would only enhance the tools his program will provide. He has a degree in transportation planning, not finance or technology!

Guiding Questions

- Who can Alan recruit to help him in developing and implementing a cost allocation system?
- Should Alan spend time reading legislative bills that focus on upcoming changes to transportation? Why or why not?
- What are some examples of unavoidable costs that Alan could encounter as he plans for the region's one call-one click center?
- What are some avoidable costs he could encounter?



Section Three:

Sustaining and Evaluating a Cost-Allocation System

Ensure Links to a Coordinated Transportation Plan

Some communities have overt links between its coordinated transportation plan and cost allocation system. For instance, Tri-county, Michigan Livable Communities Demonstration Project indicated:

- *Pooling Resources (Coordination Plan – Funding Strategies #1 & 3) The Coordination Plan includes recommendations for sharing trips, reducing the duplication of transportation services and increasing the usage of the region's transportation vehicles; and for joint procurement of fuel, vehicles and other equipment.*

Coordinated Transportation Plans

- For more information on promising practices in coordinated transportation plan development or implementation as they apply to mobility management, please visit **www.nc4mm.org**.



Successful Cost Allocation Grows Initiatives!

- Successful cost allocation in action can lead to program or project growth, the addition of new staff and benchmarks, and enhanced successes, to name just a few!
- Pre-planning and putting good, thoughtful effort into assigning values to mobility management initiatives is one of many keys to success in the mobility management field.





Having a good understanding of cost allocation and coordination helped us in developing local support. United Way now supports our program and our Mobility Manager is working with a local hospital to potentially bring them on as a funder as well.

*~ **Erica Petrie**, Mobility Manager*

On how coordinating and cost allocation helped her agency grow.

Sustaining and Evaluating a Cost-Allocation System: A Case Study

- Alan successfully developed a cost-allocation system to start his one call-one click program. The program website and app have been developed and an average of 15,000 riders per month are utilizing the one call-one click center to plan their trips, check real-time bus status and schedule paratransit trips.
- Alan wants to hire two new staff members to aid in growing the program statewide. His funder, the Maryland Transit Administration, requires that its rural and small urban transit systems have an approved plan for allocating costs among funding programs and services. While he has previously designed a cost allocation system for his program, this will be his first step into allocating costs among all of the services and programs his agency operates.
- Alan knows this step is necessary in order to be eligible to apply for continued funding.

Guiding Questions

- Where can Alan access his region's most up-to-date coordinated transportation plan? What might he do with it to grow his cost-allocation system?
- How can Alan begin to address his funder's request to assign costs across agency programs and projects?
- What are some tools and methods Alan could use to sustain and evaluate his current cost-allocation system?



Section Four:

Resources and NCMM Tools

Select Resources

- [APTA Primer on Transit Funding: The Moving Ahead for Progress in the 21st Century Act and Other Related Laws, FY 2013 Through FY 2014](#)
- [Creative Approaches to Financing Transit Projects](http://t4america.org/maps-tools/transit-guidebook/) <http://t4america.org/maps-tools/transit-guidebook/>
- [Managing Operating Costs for Rural and Small Urban Public Transit Systems](#)
- [Sharing the costs of human services transportation. TCRP Report 144](#)
- [Weaving It Together: A Tapestry of Transportation Funding for Older Adults](#)

Next Steps

- Continue to collect examples from the field and share through NCMM forums;
- Enhance cost allocation training tools with content related to non-emergency medical transportation; and
- Develop information briefs regarding supporting mobility management through matching funds across Federal, State, or local agencies or organizations.

NCMM Mission

To support FTA grantees, Mobility Managers, and partners in adopting proven, sustainable, and replicable

- transportation coordination
- mobility management
- one-call/one-click transportation information models

that are responsive to the mobility needs of older adults, people with disabilities, low-income earners, and other community members.

About NCMM

- Launched in early 2013
- Jointly operated by 3 national organizations:
 - Easter Seals
 - American Public Transportation Association
 - Community Transportation Association of America
- Through a cooperative agreement with the Federal Transit Administration, U.S. DOT

NCMM Supports

- Technical assistance
- Products and materials
- Training
- Peer networks



Mobility Management Information and Practices (MMIP) Database

- Identify descriptions of mobility management practices – State and county levels
- Descriptive information about practices – context, demographics
- Facilitate interactivity via searchable database features
- Flexible tool - Update content continuously

Questions?

For more information, please visit us at
www.nc4mm.org