

MEMORANDUM

TO: Board of Regents
FROM: Deb Hendrickson
DATE: June 1, 2005 *ASN*
SUBJ: Mileage and Meal Reimbursement Rates

Recommendation:

Consider, as first reading, revisions to the Board of Regents Policy Manual Chapter 7.02F – Reimbursement of Travel Expenses for Employees of Regent Institutions, for implementation September 1, 2005.

Executive Summary:

In May 2004, the universities began discussions of updating the Regent travel policy to:

- Tie the mileage reimbursement rate to the allowable mileage rate determined annually by the General Service Administration (GSA) / Internal Revenue Service (IRS).
- Increase the in-state meal per diems.

The institutions needed time to collect information to support the request and estimate the budgetary impact of the increased reimbursement rates.

Fair reimbursement of employee travel expenses is a high priority because it significantly impacts employee morale and the ability to attract and retain high quality employees.

Mileage The mileage proposal would increase the current maximum paid for a privately owned vehicle (POV) from \$.31 per mile to the rate established by the federal government. This would more accurately reflect the cost of using a personal vehicle. The federal rate is currently \$.405 as of January 1, 2005. The maximum paid for a government fleet vehicle (GFV) would change from \$.25 per mile to the current federal rate of \$.285 per mile. This is the rate paid to employees when a government owned vehicle is available and they drive a personal car.

Impact The Regent institutions estimate a total FY 2006 budget impact of \$480,628 for increased mileage reimbursement. Iowa State University would see the greatest impact with more than half of the increased cost. This is predominantly due to the University's outreach mission since Extension employees incur significant mileage expense.

The federal reimbursement rates are consistent with peer universities.

The Special Schools do not expect a significant impact if the proposed changes are approved.

The Regent institutions will continue to ensure employees travel in the most cost effective manner.

Meals The Regent institutions propose that the maximum meal reimbursements be increased from the current level of \$26 per day to \$31 per day for travel in the state of Iowa. Meals would still be reimbursed based on actual costs.

Impact The Regent institutions estimate a total FY 2006 budget impact of \$115,237 for the increase in meal reimbursements.

Background:

Mileage In October 1997, the Board approved the current mileage reimbursement rates for travel on or after November 1, 1997. Prior to that it was increased in October 1995. The rate that was approved by the Board in 1997 was the federal rate at that time. The following table shows the federal rates over a ten-year period.

<u>Effective Date</u>	<u>Rate</u>
January 1, 1995	\$.30
June 7, 1996	.31
September 8, 1998	.325
April 1, 1999	.31
January 14, 2000	.325
January 22, 2001	.345
January 21, 2002	.365
January 1, 2003	.360
January 1, 2004	.375
January 1, 2005	.405

The Board policy establishes an upper limit for reimbursement. Currently, the universities reimburse employees a variety of rates; none exceed the limit in the Board policy. These rates are determined based on funding source and/or available resources. Special Schools employees expenses reimbursed through Area Education Agencies (AEAs) may vary from the Regent rate; none exceed the Regent limit.

Institutional legal counsel confirmed that differential reimbursement rates are allowed as long as an employee is not required to use a personal vehicle for a job related responsibility and then reimbursed at an unreasonably low rate.

Meals The policy on meal reimbursements has not changed since July 1991.

Analysis:

Board Policy The Board's policy clearly states that it is the intent of the Board that employees of Regent institutions be reimbursed for reasonable expenses associated with work-related travel.

Mileage The current mileage reimbursement rates have not been increased since November 1997. Since that time there have been significant increases in vehicle operating costs.

The rates established by the U.S. General Service Administration (GSA) and reported to Congress are based on an annual study of vehicle operating costs. The current GSA established privately owned vehicle (POV) rate is \$.405 as of January 1, 2005. The current rate if a government owned vehicle is available is \$.28 per mile.

Updating the mileage reimbursement rates on a regular basis would more accurately reflect the costs of operating a privately owned vehicle.

The proposed policy simplifies this process by automatically tying the reimbursement rates to a nationally recognized standard which enables the Board's policy to be current without having to address it regularly. At the same time, it retains the dual rate structure that is intended to ensure that employees do not use personal vehicles in circumstances where fleet vehicles would be more cost effective.

A study by the American Automobile Association (AAA) notes that while the federal rate covers fuel and some other costs, it likely falls short of full reimbursement.

Budget Impact The Regent institutions have estimated the impact to FY 2006 budgets based on the proposed increased rates as follows:

University of Iowa

General Fund	\$24,172
Health Care	8,277
Grants and Contracts	67,380
Auxiliary	5,840
Other Funds	<u>29,279</u>
Total	\$134,948

Iowa State University

General University	\$ 51,111
Experiment Station	5,790
Extension Service	120,467
Grants and Contracts	110,768
Other	<u>38,951</u>
Total	\$327,087

University of Northern Iowa

General University	\$15,215
Grants and Contracts	<u>3,378</u>
Total	\$18,593

Iowa School for the Deaf

Nearly 100% of the miles traveled by ISD employees are with school vehicles. The only mileage reimbursement that ISD processes is with itinerant teachers whose mileage is reimbursed by contract by the local AEA. Therefore, there would be no budgetary impact with the proposed change in policy.

Iowa Braille and Sight Saving School

Personal car usage is relatively minimal for general fund staff who mostly use a school car for their travels. The AEAs reimburse IBSSS at the current rate of \$.31/mile that IBSSS reimburses the Itinerant teachers serving visually impaired students in their respective AEA. IBSSS plans to have a more restrictive policy to keep all employees reimbursed at the same rate.

The total estimated FY 2006 budget impact of an increase in mileage is expected to be:

University of Iowa	\$134,948
Iowa State University	327,087
University of Northern Iowa	<u>18,593</u>
Total	\$480,628

Peer
Universities

The current federal mileage rate of \$.405 is consistent with rates at peer universities. A search of travel web sites at peer institutions in surrounding states reveals the following reimbursement rates:

University of Iowa

School	2004 Rate
	Per mile
University of Arizona	.375
University of California, Los Angeles	.405
University of Illinois*	.375
University of Indiana	.405
University of Michigan	.405
University of Minnesota	.405
University of North Carolina	.405
Ohio State University	.405
University of Texas	.350
University of Wisconsin	.325

* Increasing to .405 on July 1, 2005

Iowa State University

School	2004 Rate
	Per mile
University of Arizona	.375
University of California, Davis	.405
University of Illinois*	.375
Michigan State University	.400
North Carolina State	.405
Ohio State University	.405
Purdue University	.400
Texas A&M	.350
University Minnesota	.405
University of Wisconsin	.325

* Increasing to .405 on July 1, 2005

University of Northern Iowa

School	2004 Rate
	Per mile
Northern Arizona University	.375
California State University, Fresno	.405
Illinois State University*	.375
Indiana State University	.260
Central Michigan University	.405
University of Minnesota, Duluth	.405
University of North Carolina, Greensboro	.405
Ohio University, Athens	.405
University of North Texas	.350
University of Wisconsin, Eau Claire	.325

* Increasing to .405 on July 1, 2005

Meals The Regent institutions propose that the maximum meal reimbursements be increased from the current level of \$26 per day to \$31 per day for travel in the state of Iowa. As with the mileage reimbursement rate, fairness in reimbursing employee travel expenses is a high priority and the institutions are prepared to make the necessary adjustments to accommodate the higher reimbursement rates.

This rate has not been changed since 1991 and the universities have received reports that meal costs in Iowa exceed \$26 per day.

Budget Impact The Regent universities have estimated the impact to FY 2006 budgets based on the proposed increased rates as follows:

University of Iowa

General Fund	\$ 3,000
Other Funds	<u>35,000</u>
Total	\$38,000

Iowa State University

General University	\$11,646
Experiment Station	1,690
Extension Service	12,827
Grants and Contracts	26,744
Other	<u>11,330</u>
Total	\$64,237

University of Northern Iowa

General University	\$8,250
Grants and Contracts	<u>1,750</u>
Total	\$10,000

Special Schools

ISD	\$3,000
IBS	0

IBSSS plans to have a more restrictive policy and maintain the current rates.

The total estimated FY 2006 budget impact of an increase in meals is expected to be:

University of Iowa	\$38,000
Iowa State University	64,237
University of Northern Iowa	10,000
Iowa School for the Deaf	3,000
Iowa Braille School	<u>0</u>
Total	\$115,237

VII. BUSINESS PROCEDURES

7.02 General Policies

F. Reimbursement of Travel Expenses for Employees of Regent Institutions

1. It is the intent of the Board of Regents that employees of Regent institutions be reimbursed for reasonable expenses associated with work-related travel.
2. It is the further intent of the Board that the Regent institutions adopt cost effective or as otherwise deemed appropriate institutional policies consistent with this statement, along with any other provisions relating to travel reimbursements which are more specific or restrictive.
3. Some travel reimbursements may be taxable. For example, any meal reimbursement not associated with overnight travel is taxable income which must be reported in the next pay period. It is subject to federal and state income tax withholding and Social Security tax payments. Travel advances must be substantiated in a timely fashion (generally within 90 days of completion of travel) or they will be reported as taxable income.
4. Travel expense vouchers should be submitted promptly on return from the trip. Employees will be reimbursed for transportation, lodging, and meals on the following basis:
 - a. The use of state-owned vehicles is encouraged. However, transportation reimbursement for official travel by private automobile when the use of a personal car is authorized by the appropriate institutional official, per this policy, reimbursement shall be paid at no more than:
 - 1) At a rate of \$.31 per mile the privately owned vehicle (POV) rate established by the U.S. General Services Administration in the Federal Travel Regulations, for travel when a motor pool vehicle is not available and the employee must use his/her personal vehicle or an employee is traveling less than 100 miles or the total trip time (travel and business) is four hours or less.
 - 2) At a rate of \$.25 per mile the Government Fleet Vehicle (GFV) rate as established by the U.S. General Services Administration in the Federal Travel Regulations, for travel if a motor pool vehicle is available, but the employee chooses to use his/her own vehicle.
 - 3) At a rate of \$.31 per mile, for travel when an employee chooses to use his/her own vehicle and the round trip is less than 100 miles.
 - 4) 3) _____ At a rate to be determined by the institutions' chief business officer appropriate institutional official on a case-by-case basis when an individual must use a substantially modified or specially equipped privately owned vehicle.
 - b. Air or rail transportation should be by common carriers. Use of university or chartered aircraft is permitted when advantageous.

- c. Meals would be reimbursed based on actual and reasonable costs using the following maximum guidelines:

	<u>In-State</u>	<u>Out-of-State</u>
b) Breakfast	\$ 5.00 <u>6.00</u>	\$ 8.00
c) Lunch	7.00 <u>9.00</u>	12.00
d) Dinner	14.00 <u>16.00</u>	<u>20.00</u>
	\$26.00 <u>\$31.00</u>	\$40.00

- d. The individual amounts for each meal would apply only in the case of persons being in travel status for partial days. Otherwise, the total amounts for each day would apply, thus allowing some discretion in adjusting meal allowances within the day.
- e. Exceptions to these meal standards requested in advance of travel could be accommodated if justified to senior university officials (e.g., vice presidents, business officers, collegiate deans, and major directors of administrative units). Exceptions not authorized in advance of travel may be considered by senior university officials only after careful review and consideration of any unanticipated costs incurred by the university traveler.
- f. Lodging reimbursement is limited to the actual/reasonable cost for a standard single room. Lodging rates set by Federal regulations will be used as a guide. This rate is reviewed and amended periodically.

5. Reimbursement for Foreign Travel

- a. Meal and lodging policies and rates approved by the U.S. Department of State are to be followed unless university or granting agency regulations are more restrictive. For partial days of travel, one-fourth of the rate for a full day will be reimbursed for each six-hour period or the fraction thereof that the employee is in travel status.
- b. The traveler may be reimbursed at more than the standard per diem if approved by authorized university officials. The traveler must provide an explanation of the extenuating circumstances and original receipts supporting all lodging and meal expenditures. Reimbursements in excess of the standard rates will not be approved if prohibited by granting agency regulations.