

oppaga

Progress Report



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Privatization of Student Transportation Offers Potential Benefits and Savings

at a glance

Since our last report, the Department of Education has provided technical assistance to school districts on privatizing student transportation systems. This includes presentations at statewide meetings and evaluating privatization proposals.

The department has not improved its accounting manual to ensure that districts uniformly account for all costs associated with student transportation.

Two school districts (Martin and Santa Rosa) have recently contracted out all of their student transportation needs. The Martin County School District estimates a potential saving of \$630,000 over three years. Santa Rosa estimates receiving \$343,500 of additional services through privatization at no additional cost to the school district. However, other school districts have not assessed whether a private company could provide transportation services less expensively than the district. Without such assessments, there is no assurance that student transportation is being provided in the most cost-effective manner.

Some school districts are taking steps to examine and reduce controllable costs, but additional efforts would further reduce student transportation costs.

Purpose

In accordance with state law, this progress report informs the Legislature of actions taken by the Department of Education in response to a 1998 OPPAGA report.^{1,2} This report presents our assessment of the extent to which the department has addressed the findings and recommendations included in our report.

Background

State law [s. 234.01(1)(a), F.S.] requires that each school district in Florida provide student transportation. The state helps districts by allocating funds to transport certain student groups such as those living two or more miles from the school they attend and disabled students. The state appropriates student transportation funding annually based on a formula that rewards districts that use buses more efficiently. Transportation expenses that exceed that state allotment are paid with local district funds.

¹ Section 11.45(7)(f), F.S.

² A Review of the Potential for Privatizing Student Transportation, OPPAGA [Report No. 97-44](#), April 1, 1996.

Prior Findings ---

Our earlier report found that many public school districts nationwide use private bus contractors to transport their students. We identified advantages and disadvantages associated with privatizing student transportation.

Advantages

- Reductions in student transportation costs and improved service quality are feasible.
- Contractors can have better fleet management, driver training, and specialized routing programs through economies of scale.
- Privatization allows administrators to concentrate on core educational functions (e.g., instruction) instead of ancillary services (e.g., student transportation).

Disadvantages

- Contractors can attempt to raise prices after the contract is awarded.
- Districts might have less control over day-to-day operations.
- Districts would need to develop comprehensive contracts and monitor contractor performance.

Nationwide, school districts use privatized services in a variety of ways to meet student transportation needs. These include privatizing all of their student transportation, using a combination of in-house service and privatized service, and opting to retain ownership of bus fleet and maintenance facilities while contracting for drivers and mechanic services.

At the time of our study, many school districts in Florida contracted for small portions of their transportation systems (e.g., major maintenance such as engine rebuilding). Only two districts (Dade and Duval) used private contractors for bus service. Dade County School District had

privatized bus service on 50 of its 1,360 home-to-school routes. Duval County School District contracted with 123 bus companies for all of its student transportation services. Both school districts were satisfied with the services received.

Based on the experience of other school districts, we reported that some Florida school districts could save costs and/or improve service quality by properly designing and implementing privatization for some or all of their student transportation services. These include districts that lack expertise in proper fleet management (e.g., excessive numbers of spare buses), experience quality problems (e.g., consistent late pickup and delivery of students), and need to reduce transportation costs.

It is difficult to accurately compare costs between districts because not all districts account for costs in the same way. For example, some districts do not account for bus drivers' and mechanics' unemployment compensation in the same manner. The Department of Education has a manual for reporting costs, which indicates that all student transportation costs are to be reported under the pupil transportation cost function. However, the manual does not specifically identify all costs that should be included in this function.

Whether or not Florida school districts privatize their student transportation systems, the districts can take steps to reduce student transportation costs. Reducing the number of students not eligible for state-funded transportation (those living less than two miles from school), increasing bus occupancy rates (by using techniques such as staggering school bell times and using large buses), and reducing the number of spare buses could all contribute to lowered transportation costs. We estimated that taking these steps could save over \$13 million per year.

To encourage cost-effective use of student transportation dollars, we recommended that school districts periodically conduct “make vs. buy” analyses that compare the full cost of in-house transportation activities to contracted services. Districts should also consider implementing pilot projects to determine if privatization of student transportation services would reduce costs and/or improve quality, and determine where student transportation costs could be reduced, such as reducing the number of courtesy riders and increasing bus occupancy rates.

We also recommended that the Department of Education provide technical assistance to districts that are considering privatizing their student transportation services and to improve its financial and program cost accounting manual so the districts more uniformly account for the full cost of student transportation services.

Current Status —————

The Department of Education and some school districts have taken steps to address some of the concerns of OPPAGA.

Actions Taken —————

Technical Assistance

The Department of Education has provided technical assistance to school districts on privatization of student transportation systems. This assistance includes workshops at statewide meetings and conferences, responses to telephone inquiries, and publishing statistical and cost information on an annual basis. The department also participated in meetings with vendors and a school district to develop and evaluate privatization proposals.

OPPAGA has also provided technical assistance to school districts on their student transportation systems through our Best

Financial Management Practice Reviews and Performance Reviews.³ These reviews have been conducted by OPPAGA staff and consultants for 11 school districts and have recommended changes that would result in a five-year net fiscal impact of \$150,424,408.

Actions Not Taken —————

Uniform Cost Accounting

The uniformity of reported student transportation costs between school districts continues to be questionable. For example, the Brevard County School District did not have accounting procedures to separate out the cost of housing district support vehicles from overall indirect costs while Martin County School District did not separately account for field trips and other extracurricular trips other than from home to school.

The Department of Education states that its accounting manual provides assurance of uniformity in financial reporting for local school systems. The department does not independently verify that all transportation costs incurred by school districts are accounted for uniformly. Instead, it relies on annual financial audits performed by independent CPA firms and the Office of the Auditor General for this verification. The department also stated that improper reporting of transportation expenses has not been a reported issue in these audits.

Given the differences in district transportation cost reports that continue to exist among districts, we continue to believe that the Department of Education should take steps to ensure that school districts uniformly account for *all* costs associated with student transportation.

³ For more information on Best Financial Management Practice Reviews and Performance Reviews, visit the Florida Monitor at http://www.oppaga.state.fl.us/school_districts/districtreviews.html.

Actions Partially Taken —

Privatization

While two more school districts have contracted for student transportation since our original report, other districts have not considered the possibility. As of August 1999, three Florida school districts (Duval, Santa Rosa, and Martin) contracted for all of their student transportation needs in Fiscal Year 1999-2000. Martin County School District estimates that the accepted privatization bid was 13.5% less than the districts' projected costs over three years, for an average annual savings of \$630,000.⁴ One change that reduced costs was the provision that newer drivers are being paid only for the actual time that they are driving plus one-half hour for administrative time instead of guaranteeing eight hours of pay per day including one hour of administrative time. Santa Rosa County School district estimated that the additional services that it now receives through privatization of student transportation services such as upgrades in the maintenance facility, additional personnel, and new buses would have cost the district an additional \$343,500 in Fiscal Year 1998-99.

Other districts have not assessed whether a private company could provide transportation services less expensively than the district.⁵ Without such an evaluation,

there is no assurance that student transportation services are being provided in the most cost-effective manner. We continue to believe that school districts should conduct these evaluations and consider implementing pilot projects to determine if privatization of student transportation would reduce costs and/or improve service quality.

Reducing Controllable Costs

Although some school districts are taking steps to examine and reduce controllable costs, additional efforts in this area would reduce student transportation expenses.

Staff at the Polk County School District found that using larger 84-passenger buses allowed the district to reduce the number of buses needed to transport its students. Implementing this policy to use larger buses not only reduced the number of buses needed but also allowed the district to reduce the total salary and benefits needed to operate and maintain its bus fleet.⁶ In contrast, our review of the Manatee County School District concluded that discontinuing bus service to students who could walk to school could save the district \$161,000 annually.⁷ School districts should continue to examine and reduce controllable transportation costs.

⁴ OPPAGA's [Combined Performance Review and Best Practices Review of the Martin County School District](#), August 1999.

⁵ Lack of such assessments were commented on in OPPAGA's [Combined Performance Review and Best Practices Review of the Manatee County School District](#), [Report No. 98-19](#) October 1998 and the [Combined Performance Review and Best Financial Management Practice Review of the Brevard County School District](#), August 1999

⁶ OPPAGA's [Best Financial Management Practice Review of the Polk County School Districts](#), [Report No. 98-84](#), June 1999.

⁷ OPPAGA's [Best Financial Management Practice Review of the Manatee County School District](#), [Report No. 98-19](#), October 1998.

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Project supervised by Jane Fletcher (850/487-9255)

Project conducted by Rich Woerner (850/487-9217)