Student Transportation Services

Continue managing for efficiencies

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MEMORANDUM

To: Robert McKean, Superintendent, Centennial School District
Bob Dunton, Superintendent, Corbett School District
Barbara Rommel, Superintendent, David Douglas School District
Ken Noah, Superintendent, Gresham-Barlow School District
Michael Taylor, Superintendent, Parkrose School District
Terry Kneisler, Superintendent, Reynolds School District
Thomas Hagerman, Superintendent, Riverdale School District

From: Gary Blackmer, Portland City Auditor
LaVonne Griffin-Valade, Multnomah County Deputy Auditor

Date: July 25, 2005

Subject: Student Transportation Services Audit

The attached report covers our audit of student transportation services. The audit was included in the fiscal year 2004-2005 schedule of school district audits funded by the Multnomah County Personal Income Tax.

School districts in Oregon must continuously look for ways to reduce expenses so that all available resources can be directed toward student instruction. We selected this topic because we saw student transportation as one area in which districts might improve and cut costs. Although mandated to provide safe transportation for students, districts must manage those services in ways that hold down spending.

We reviewed the management of student transportation in seven Multnomah County school districts: Centennial, Corbett, David Douglas, Gresham-Barlow, Parkrose, Reynolds, and Riverdale. We concluded the audit early because districts appeared to have good management practices in place, and any potential transportation savings would represent a very small portion of overall operating expenditures. We determined that further review and analysis would not have been an effective use of audit resources.

We did recommend that districts evaluate whether there are opportunities to coordinate with each other in transporting students who have special requirements or need accommodation. For districts owning buses, we recommend they determine an optimal bus replacement schedule to help manage and anticipate purchasing and maintenance costs. In order to cut fuel expenses and reduce emissions, we also recommend that districts adopt written procedures to reduce bus idling time.

cc: SEAC

Audit Team: LaVonne Griffin-Valade
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Summary

The purpose of our audit of student transportation services was to look for potential savings opportunities. Our goal was to assess the effectiveness of management systems currently used by districts and look for efficient practices. We also wanted to determine whether districts could potentially benefit from working together to meet some or all student transportation needs.

We reviewed the management of student transportation for fiscal years 2002 through 2004 in these school districts: Centennial, Corbett, David Douglas, Gresham-Barlow, Parkrose, Reynolds, and Riverdale. We ended the audit earlier than planned because it became clear that the cost/benefit of additional review and analysis did not warrant continued audit work.

Based on discussions with managers and review of administrative documents and policies, districts appeared to have good management practices in place. We also found that any potential savings in student transportation services would represent a very small portion of overall district spending.

Districts owning and operating their own fleet generally worked to contain fuel costs and buy buses at the best possible price. Districts have taken steps to effectively manage the routing and scheduling of buses, as well. Some have begun using Global Positioning System (GPS) technology to improve routing decisions and overall management of transportation services. Districts were also making efforts to control personnel costs for transportation staff, while maintaining a pool of qualified drivers.

We did see some areas that warrant further review and consideration by districts. We recommend that managers review opportunities for coordination among districts in providing transportation for students who have special requirements or need accommodation. Also, we recommend that districts managing their own fleet determine an appropriate bus replacement point. Finally, we recommend that districts formally adopt procedures to reduce bus idling time and/or request that their transportation contractors implement such procedures.

Background

Oregon public school districts are mandated to provide transportation to and from school for students living beyond walking distance or where it is considered unsafe to walk. Transportation to instruction-related activities is also required. Districts receive a transportation grant from the Oregon Department of Education (ODE) which includes a reimbursement to districts for 70% of approved transportation expenses. Some districts in the state receive a larger reimbursement, but no Multnomah County district qualifies for more than 70%. Non-reimbursable expenses are based on the total mileage associated with other kinds of transportation, such as athletic events and extra curricular activities outside of the regular school day.

Districts that own buses also receive 70% of the scheduled depreciation for buses 10 years old and younger and for up to 25 years on bus garages. The depreciation portion of districts' annual transportation grant must be set aside in a separate fund for bus replacement and other large capital transportation expenditures.

We reviewed the management of student transportation services during fiscal years (FY) 2002, 2003, and 2004 in most Multnomah County school districts, including: Centennial, Corbett, David Douglas, Gresham-Barlow, Parkrose, Reynolds, and Riverdale. Of those seven districts, two contract with private companies for all student transportation services. The other five districts own buses and manage their own operations. Most of those districts purchase some services from non-district sources, typically to meet the needs of students attending specialized programs or those requiring alternative forms of transportation.

In planning for student transportation services, managers must consider several factors that may contribute to transportation costs, including:

- number of students requiring transportation
- number of square miles within district boundaries
- number of stops required and the distance between stops
- number of schools within a district
- transportation of students with special needs
- mandated safety requirements
- ongoing fuel purchases
- bus repair and maintenance
- number of buses to replace or add to the fleet
- transportation of students for non-instructional purposes

Total transportation expenses in the seven districts ranged from 2% to 7% of overall operating expenditure in FY 2004. This was prior to any reimbursement from ODE.

Scope and Methodology

The purpose of the audit was to find potential savings in district transportation services. Our research showed that audits of other school districts in the country had resulted in efficiencies and savings in how transportation services were being managed. In addition, some district officials suggested there might be savings opportunities in student transportation. The audit was concluded earlier than planned because we determined the cost/benefit of further analysis did not justify continued audit work.

For the purposes of determining the cost/benefit of continuing the audit, we adjusted for the 70% reimbursement in the state's transportation grant to arrive at districts' net transportation expenses. This adjustment did not include the allowable bus and warehouse depreciation since those funds must be accounted for separately and do not represent a reimbursement of operating expenses.

Our goal was to assess the effectiveness of current management and determine if there were particular practices that could increase efficiencies. A secondary objective was to determine whether districts would benefit from working together to meet some or all of their student transportation needs.

In order to complete the review in a short period of time and make the best use of available resources, we did not include Portland Public Schools in this audit. A different audit of Portland is scheduled to begin at a later date.

We reviewed authorizing statutes and administrative rules from the state of Oregon, as well as applicable district transportation policies. We examined industry, state, and federal management, maintenance, safety, and environmental standards applied to student transportation services. We gained a basic understanding of scheduling and routing systems, including software based on Global Positioning System (GPS) technology.

We met with the business managers from all seven districts and most district transportation managers to discuss operations and relevant procedures. Further, we gathered information on districts' labor agreements with classified staff to determine wage and benefit packages offered to employees in transportation services. We also examined other transportation reports and budget documents.

We met with staff from the Oregon Department of Education's (ODE) Pupil Transportation Services and School Finance offices to clarify the methodology for calculating the state's transportation grant. We reviewed each district's transportation grant data, as well as the transportation expenditure data reported by each district in their Comprehensive Annual

Financial Reports for FY 2002 through FY 2004, or in Tax Supervising & Conservation Commission reports.

This audit was included in our FY 2004-2005 audit schedule for school districts receiving the Multnomah County temporary income tax and was conducted in accordance with generally accepted government auditing standards.

Results

Based on our discussions with districts and review of documents, district transportation programs appear to have good management systems in place, either through their direct management of operations or through administration of contracts with private bus companies. For larger districts, the management of transportation services was usually a higher priority than for smaller districts, but all districts recognized the need for achieving efficiencies wherever possible. We found that student transportation services represented a small portion of districts' overall spending.

Transporting students safely is a priority for districts. Board policies and district procedures for transportation employees reflect this priority. In addition, as the state's oversight body, the Pupil Transportation office within the Oregon Department of Education (ODE) provides guidance on bus, student, and driver safety, and it conducts compliance audits of transportation departments.

Districts work to maintain efficiencies

We found that districts operating their own fleet generally worked to contain fuel costs and efficiently manage the routing and scheduling of buses, two areas identified in our research as important to cost-efficient management. Most districts receive regular updates on the price of fuel in order to take advantage of current best prices, or they contract with the lowest-cost provider. Managers often direct drivers to limit the amount of time they idle buses in order to save on fuel costs, as well as reduce fuel emissions polluting the air. However, some districts reported they had not developed a formal written procedure or instruction to drivers to specify limits on bus idling.

Districts review routing regularly, and some have moved to more consistent school start and end schedules to better manage the pick-up and delivery of students. In addition, three districts use routing software based on Global Positioning System (GPS) technology to assist with routing decisions and to improve their management of transportation services.

Districts with their own fleet take measures to purchase new buses at the lowest cost. Those districts use a bidding process to obtain the best price, or they "piggy-back" onto another district's purchasing contract to take advantage of their pre-negotiated price. ODE encourages districts to maintain a fleet of newer buses, in part to hold down repair and maintenance costs that tend to increase with vehicle age, but also to build a fleet that carries safety improvements and meets newer fuel-efficiency standards.

Approaches to controlling salaries and benefits vary

The cost of the salaries and benefits for transportation staff also affects overall spending. District labor contracts vary, but most provide benefits after a certain number of hours per week and/or provide benefits on a prorated basis, depending on the number of hours worked. Reduction of benefits is an area that one district has identified as having potential for cost savings. That district plans to limit the hours of drivers hired in the future in order to reduce benefit costs.

Other districts indicated that such a plan would be problematic for their districts, possibly leading to greater turnover and increased training costs for replacement drivers. Managers cited the need to hire drivers who work a split shift and said they had experienced difficulty recruiting drivers. Offering benefits was seen by many districts as a way to retain a qualified pool of drivers.

Special needs transportation a cost concern for districts

Districts noted the additional costs associated with transporting students who have special requirements or need accommodation. Some estimated that "special needs" transportation may range from 30% to 50% of total transportation costs.

One district provided detailed information about that portion of transportation costs. Transportation for special needs students represented an average of 28% of that district's total transportation costs. Since FY 2000, after adjusting for inflation, those expenses decreased 7% for this particular district.

Management suggested that since different districts often transport special needs students to the same locations, there may be cost savings available through the coordination of special needs bus routes, particularly for districts that share boundaries.

Savings may be possible in transporting to extracurricular activities

The state does not reimburse districts for transporting students to athletic events and extracurricular activities outside of the regular school day. After adjusting for inflation, non-reimbursable mileage for the seven districts cost a total of $209,000 in both FY 2002 and FY 2003, and $266,000 in FY 2004. The following charts show non-reimbursable mileage costs by district.

Non-reimbursable Mileage Costs (adjusted for inflation)

	Centennial	Corbett	David Douglas	Gresham-Barlow	Parkrose	Reynolds	Riverdale
FY 2002	$ 27,364	$ 24,991	$ 76,896	$ 17,074	$ 22,614	$ 31,548	$ 8,680
FY 2003	$ 23,752	$ 20,180	$ 36,850	$ 90,889	$ 16,449	$ 9,402	$ 11,175
FY 2004	$ 24,882	$ 26,658	$ 48,942	$ 106,930	$ 29,773	$ 12,398	$ 16,434

Non-reimbursable Mileage Costs as a % of Total Transportation Expenses

	Centennial	Corbett	David Douglas	Gresham-Barlow	Parkrose	Reynolds	Riverdale
FY 2002	1.8%	9.6%	2.4%	0.4%	2.8%	0.9%	6.9%
FY 2003	1.5%	7.6%	1.2%	2.1%	1.7%	0.3%	10.5%
FY 2004	1.3%	9.5%	1.5%	2.4%	2.6%	0.3%	14.8%

We found that non-reimbursable mileage made up a higher percentage of total transportation costs in the smaller districts. This may be a result of the distances those districts must travel to participate in athletic events (by contrast, the larger districts usually travel only within the metropolitan area). Although non-reimbursable mileage costs represent a small portion of districts' overall expenditure, this could be an area of study for districts looking to reduce costs. It is worth noting that some district boards of education, parents, and school leaders have made transportation of students to athletic events and other non-instructional activities a budget priority, so there may be little support for making additional cuts.

Recommendations

To take advantage of potential savings in student transportation services, we recommend that districts review opportunities to gain savings in the following areas:

1. Coordination among districts in providing transportation for special needs students

We saw no clear indications that consolidating transportation activities would produce savings, with the possible exception of one area. We recommend that districts investigate whether there is potential for coordinated transportation services among districts for special needs students. Managers indicated that special needs transportation was a cost concern for them, and said that some districts could potentially coordinate routes. Further, it is possible that districts who own specialized routing software can use it to assess route-sharing opportunities.

2. Bus replacement planning

We recommend that districts managing their own fleet establish a replacement point, based on age or mileage, that takes into account anticipated maintenance costs as well as purchase costs. There may be potential benefits to proactively managing bus replacement to keep the fleet within the depreciation schedule and reduce other costs. The Oregon Department of Education (ODE) encourages districts to keep their fleet of buses young, in part to hold down repair and maintenance costs that increase with vehicle age, but also to build a fleet that will meet improving safety and fuel-efficiency standards.

3. Anti-idling procedures

We recommend that districts which manage their own fleet pursue reduction of bus idling time and formally adopt procedures guiding transportation department staff. We recommend that districts which contract out for all student transportation needs ask that providers implement anti-idling practices. The federal Environmental Protection Agency (EPA) Clean School Bus USA Program offers districts guidance about reducing emissions and fuel costs by ending the practice of idling buses unnecessarily. The EPA suggests that in addition to polluting the air and contributing to engine wear and tear, idling the typical school bus burns about half a gallon of fuel per hour. The EPA website provides a sample anti-idling policy for districts.

Also, in conjunction with the Oregon Department of Environmental Quality, ODE issued a memorandum to districts in FY 2003 strongly recommending that districts adopt guidelines to reduce exposure of students to diesel exhaust. At that time, they estimated that operational costs associated with idling at about $250 per year per bus.