

# Million Dollar Busing: Saving Money Through Privatization



By Cheryl Crates, Ed.D.

**T**he newspaper headlines no longer faze us: “School District Cuts Pay for Teachers” or “High School Prepares for Year Without Athletics Funding.” The economic crisis has had—and will continue to have—a dramatic effect on tax revenue and education spending throughout the United States and beyond. Yet children still show up for school every day in need of an education. In times like these, educators and school business managers must be as committed as ever to providing it.

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The economic pressures are all too familiar to District 300, one of Illinois's largest public school districts, located northwest of Chicago. Just three years ago, our transportation fund was operating more than \$2 million in the red. Excessive absenteeism and an increase in worker's compensation claims among bus drivers and other transportation employees plagued the district. Bus routes had not been reviewed for inefficiencies in more than five years. An outside evaluation of the system showed the second worst student transportation system the evaluators had ever seen.

Privatizing school bus transportation became a hot topic among school administrators and parents, in the board room and in the supermarket. If we contract, won't we pay more? Won't our drivers lose their jobs? Won't we lose control of our transportation system? District 300 researched these common myths about privatization and discovered that many of these concerns stemmed from misinformation about outsourcing school bus transportation.

Surveys show that school administrators can spend up to a third of their time managing an in-house transportation program, and our experience was no different. Outsourcing is a proven solution for more than 30% of the nation's school districts, giving schools the opportunity to free up their time and energy for their primary responsibility—providing the highest-quality education for students.

With these considerations in mind, District 300 took the step that promises to save us millions of dollars: we went out to bid. We eventually awarded a three-year contract beginning in 2007. It was—and it remains—the right choice for our school district.

### Myths, Rumors, and Misinformation

When a school district considers contracting its transportation services, questions arise. We had many.

**How can a private company offer low prices yet still make a profit?** The public sector operates as a monopoly, whereas the private sector functions in a more dynamic, competitive environment. In other words, a private company has competition; a school district has no one to compete with but itself. Healthy competition drives innovation and service improvements in most industries, and school transportation is no different.

Private company managers are constantly faced with the challenge of improving the quality of service while providing the most competitive prices possible. With a private company, compensation and benefits programs are directly tied to an efficient, safe, and cost-effective operation. On the other hand, publicly operated fleets often do not have an incentive to benchmark their performance against competitors, or they find that their accounting policies and performance standards make comparisons difficult. Cost savings, service improve-

District 300 comprises an area of 118 square miles northwest of Chicago. It includes 15 communities, three high schools, four middle schools, 16 elementary schools, one community school (K-8), one alternative school, one early childhood center and two administration buildings. The student population is more than 20,000 and growing.

#### BEFORE PRIVATIZATION

*According to the Transpar Group Report of May 2004*

- Second worst-run system in the nation
- Cost per-bus highest ever seen
- Routing of buses not reviewed in more than five years
- Excessive worker compensation claims
- Excessive absenteeism

#### AFTER PRIVATIZATION

- Reduced transportation costs by improved delivery
- Increased safety
- Guaranteed performance levels
- Quality programs that reduced operational costs
- Ability to reallocate valuable administrative time
- Continuity of service by recruiting district employees

ments, and efficiency are not necessarily issues of public versus private, but rather are the result of virtuous competition in the marketplace.

In addition, a private company's managers—the people responsible for operating a busing program on a day-to-day basis—are backed by a corporate staff of individuals with expertise in each area of the school bus operation, including safety, training, maintenance, operations, and cost control. When managers are confronted with new or unusual problems, they do not “reinvent the wheel” to find the solution.

No matter how good your in-house transportation management personnel are, they cannot be experts in all areas, and there is always room for improvement. A single school district—even a large one like ours—is not likely to have the scope or scale of resources that a private company provides to its field management staff.

Finally, capital costs, such as buses and equipment, are spread over the entire useful life of the equipment. Therefore, the district pays only a proportional share on an annual basis, rather than the total cost for replacement. This leveling of equipment costs plus accelerated tax deductions available to the private sector create lower total operational costs for the school district.

**If a district contracts, won't all drivers, staff, and mechanics lose their jobs?** Existing drivers and other staff bring tremendous knowledge and experience to school transportation systems. They know the routes, the

schools, the parents, and children, and can often provide a high level of customer service. The company we hires was committed to our goal of retaining drivers and staff—just days after our contract was signed, company officials began the interview process and met with hundreds of employees to discuss their needs and future benefits.

**And won't wages be cut?** While wage reductions are possible where district wages are significantly higher than market, the more likely scenario is that existing wage levels are maintained—or even increased.

**Will my district lose control of its transportation system?** Some school districts, like ours, find that they have more control following the transition to a privatized school transportation system. We continue to determine the policies and set the standards for walking distances, bell times, safety levels, insurance, and maintenance. Yet, we have a trusted and experienced partner to help guide our decisions.

**Aren't contractors more concerned with money than safety?** Safety, above anything else, is rightfully the first priority for any school transportation system, public or private. Our company provides extensive safety training for its drivers, employees, and students. The company's student-management training is designed to create an environment where distractions for the driver are minimized, and students behave during their trip.

For them, the standard national and state specifications, which ensure that the school bus has exceptional features for passenger safety, are just a starting point. The company complements these with added components that exceed national and state requirements. The result is that District 300's fleet now goes beyond the norm to ensure the safety of our students.

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**Will the money we spend on contracting services remain in the community?** Our drivers, managers, and mechanics work in or near the communities in which they live. Wages are paid to local employees who usually spend locally. The majority of District 300's supplies and services are still purchased locally. Local sales, realty, and business taxes also contribute to the economic vitality of our community.

### A Process Toward Savings

Under Illinois labor law, we negotiated in good faith with our bargaining association for several months before



developing a bid document and financial models to compare proposals. Our calculations—and the method we used in order to determine them, agreed upon by the union—showed we could save more than \$2 million annually by outsourcing. Upon board approval, we began our bid process with the help from an area transportation director whose district recently outsourced.

Our bid specified that we would maintain our existing fleet and facilities, but outsource the management, employee salaries, and all benefits. The bid also stated certain non-exclusive items that the district deemed significant in considering the contract award. Ultimately, our decision was based on two overarching goals: ensuring financial responsibility for District 300, and choosing a school transportation provider with a proven ability to perform.

We accomplished both of these crucial goals by partnering with a private company. District 300 paid off \$1 million of its transportation deficit last year and the remainder will be paid by the end of the 2009–2010 school year. Another \$700,000 has been saved because the district is no longer responsible for paying benefits, including Social Security and retirement costs. In addition, the company brings an impressive safety record, frequent training for our drivers, and decades of experience running efficient bus routes.

School districts have many choices when deciding how to operate a transportation system, and in this economic climate it is imperative that administrators efficiently run their schools and manage their budgets. District 300 has realized the benefits of an efficient transportation system, which frees up the time and resources to deliver the best possible education for our future generations.

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