

Fiscal Accountability of Pupil Transportation

January 2004

Office of Performance Evaluations
Idaho State Legislature



Report 04-02

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Donna H. Boe

January 12, 2004

Members
Joint Legislative Oversight Committee
Idaho State Legislature

Last April, against the backdrop of state budget shortfalls, you directed us to review fiscal accountability of pupil transportation. Legislative leadership and other lawmakers were concerned about the rising cost of pupil transportation and the lack of information on how school districts use state funds for transportation purposes.

This performance evaluation report provides a detailed, statewide review of pupil transportation functions and expenditures, and the results of our visits to 14 districts representing a broad spectrum of district profiles. We offer nine recommendations to address evaluation findings in the areas of state oversight, district administration, contract management, bus purchasing, and funding cap implementation. None of the recommendations suggest any shift in decision-making away from local school districts.

All recommendations are addressed to the State *Board* of Education and the State *Department* of Education, except one for the Boise School District. Implementation of these recommendations will allow the state to have better accountability of pupil transportation, reduce transportation costs, and help ensure safe and cost-effective transportation for Idaho's youth attending public schools.

Both the Office of the Governor and the State Department of Education support our recommendations, and the State Board of Education will develop a plan to address our recommendations.

Sincerely,

A handwritten signature in cursive script that reads "Rakesh Mohan".

Rakesh Mohan

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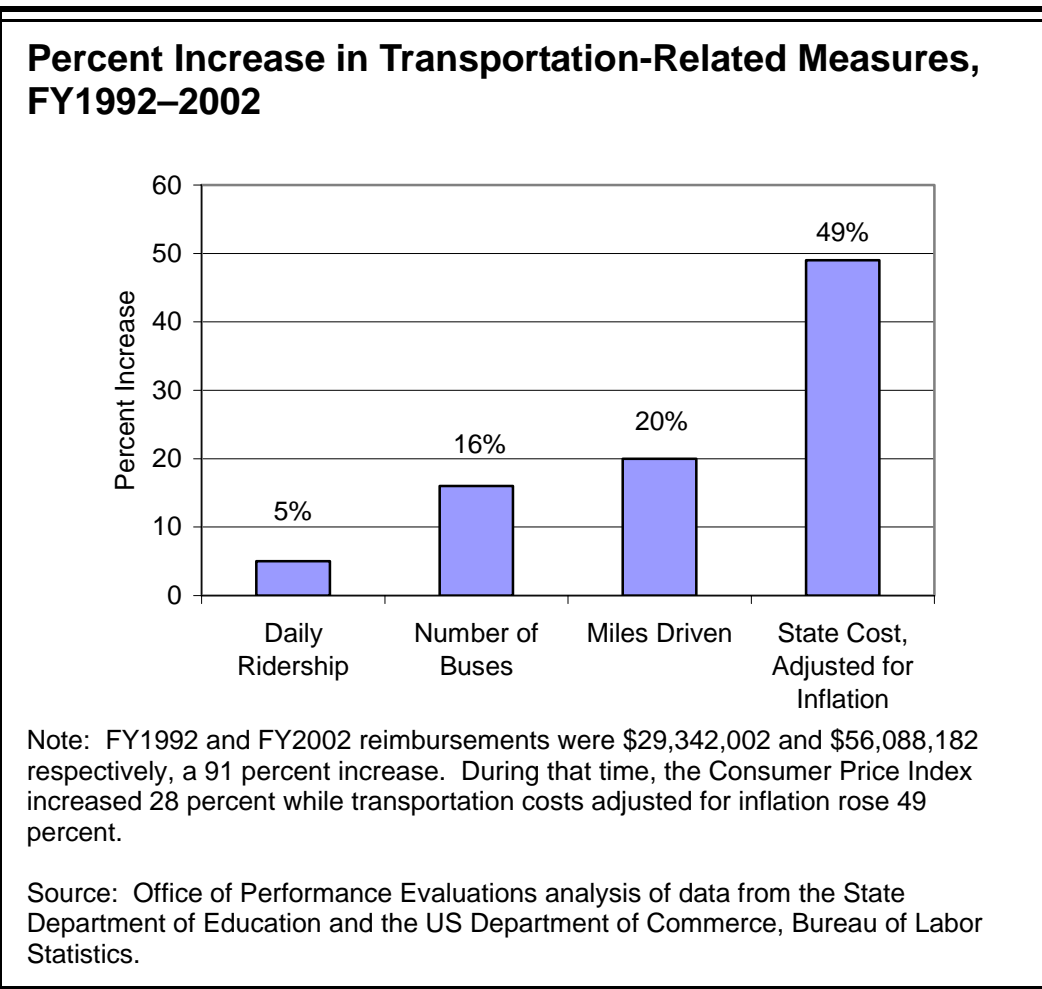
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Executive Summary

Fiscal Accountability of Pupil Transportation

The costs of pupil transportation for Idaho’s 114 school districts have increased nearly twice the rate of inflation during the past ten years, raising legislative interest in fiscal accountability for these funds. As shown in the exhibit below, since 1992, the number of students riding the bus has increased 5 percent and the number of miles traveled by school buses has increased 20 percent, but transportation costs have increased 49 percent (after adjustment for inflation). The State of Idaho reimburses school districts for 85 percent of the allowable costs of pupil transportation, an amount that totaled \$56 million in fiscal year 2002.



Although, reimbursement for pupil transportation is only 4.7 percent of all state education costs, the state spends more on pupil transportation than it does on most other individual state agencies. For example, the Idaho State Police, the Department of Parks and Recreation, and the Department of Juvenile Corrections each received less state general fund appropriations than pupil transportation in fiscal year 2002.

In response to legislative interest, the Joint Legislative Oversight Committee directed the Office of Performance Evaluations to review school district pupil transportation to determine if those services were being operated economically. The evaluation report provides a detailed, statewide review of district pupil transportation functions and expenditures, and the results of our visits to 14 school districts—American Falls, Boise, Coeur d’Alene, Council, Filer, Garden Valley, Idaho Falls, Madison, Meridian, Nampa, Payette, Post Falls, St. Maries, and Twin Falls. These selected districts comprise 43 percent of statewide enrollment, or 105,904 students for fiscal year 2002. This report is the second in a series of reports by the Office of Performance Evaluations on the costs of public education in Idaho.

State Oversight Is Limited and the Department of Education’s Role and Responsibilities Are Not Clear

Idaho Code and State Board of Education administrative rule provide the State Department of Education with limited statutory responsibility for inspecting school buses for safety, providing driver training, and determining which district transportation costs are reimbursable. Although not required by statute or rule, the department also does in-depth program reviews, which include a financial audit component. However, the department does not have clear authority to enforce district compliance with state requirements. Districts rarely submit required corrective action plans in response to department findings from reviews and inspections. In addition, insufficient follow-up work by the department does little to ensure the districts have taken corrective measures.

The department conducts two to three program reviews every year. At this rate, it will take about 40 years before a district is reviewed again. This limited oversight does not ensure districts are correctly collecting and reporting transportation costs and other information required for reimbursement from the state.

Decisions at the District Level Have Significant Impact on the State’s Share of Pupil Transportation Costs

Legislators have expressed concern that because the state reimburses such a large proportion of pupil transportation costs, districts have little incentive to

reduce costs. District decisions and transportation practices can have a substantial impact on transportation costs.

We found examples of district decisions that both increased and decreased costs to the taxpayers by hundreds of thousands of dollars annually, such as consolidating bus routes, changing contract terms, using charter buses, or incorrectly coding field trips. For example:

- The Idaho Falls School District recently changed school start and end times allowing the elimination of 13 bus routes. Based on preliminary information, we estimate these changes will generate \$306,000 in savings per year for the state and \$54,000 for the district.
- The Boise School District allowed their contractor to substitute 100 used (1998 model) buses for new buses, but did not adjust the cost of the contract to reflect the substitution. We estimate this decision will cost the state \$2,068,220 and the district \$364,980.

Although there are many ways to make pupil transportation services more economical without jeopardizing safety, few of the 14 districts are employing these cost containment measures. For instances, districts generally did not analyze trends in their pupil transportation usage and costs, did not always claim Medicaid reimbursements, and/or did not report reimbursements they received.

Costs Vary Due to Inefficiencies and Other Factors

A number of factors influence the costs of pupil transportation. Some factors, such as the local terrain, accessibility of roads, or the number of students who require special accommodations to ride the bus, are beyond the district's control. Other factors, such as routing, bus occupancy, driver's wages and benefits, bus depreciation and age requirements, and contract specifications are within the district's control.

We discuss some of these factors that cause district transportation costs to vary by examining three pairs of similar districts: Boise and Meridian, Coeur d'Alene and Idaho Falls, and Filer and Twin Falls. In our review of these districts, we identified some cost differences that were the result of transportation program inefficiencies, such as unnecessary bus routes.

Funding Cap Will Help Decrease Costs

To provide an incentive for more economical management of pupil transportation, lawmakers enacted a cap limiting state reimbursement for pupil transportation to 110 percent of the state average cost per mile or cost per rider in fiscal year 2005, using the previous year's data. After two years, the cap

decreases to 103 percent to promote further efficiencies. Savings from the funding cap can be redirected back to the classroom or used for other priorities.

Two districts we visited are already responding to the cap by introducing a variety of cost containment measures. We developed an easy to use computer model to analyze the funding cap and provide observations about the districts potentially impacted by the cap. Using the model, we estimate 11 districts would have experienced funding decreases for a total of \$1,917,142 had the cap been in place for fiscal year 2003.

Contracting Process Needs Improvement

Idaho Code § 33-1510 allows districts to contract for pupil transportation services, but the State Department of Education's responsibilities for overseeing and approving the state's 22 district contracts for pupil transportation services are unclear. In fiscal year 2002, reimbursable pupil transportation costs for these 22 districts were nearly \$21 million.

Districts that contract for transportation services are responsible for developing contract bid specifications, awarding the contract, and providing oversight of contracted services. These districts typically lack transportation expertise, and therefore, the contractor is generally responsible for both designing the bus routes and reviewing them for cost and operational efficiency. Because contractors are paid either by the route or by the mile, there is little incentive for them to eliminate routes or unnecessary miles. In addition, we found several contracting issues that need to be resolved, including the districts' use of the state's model contract, and the legality of publishing bus routes in bid specifications.

Bus Purchasing Options Offer Potential for Savings

Recently, policymakers have considered legislation that would require districts to purchase school buses through a state contract administered by the Department of Administration's Division of Purchasing. The intent was to reduce bus purchase costs by taking advantage of buying buses in larger quantities. While Idaho school districts combined do not typically purchase enough buses to acquire large discounts, a statewide bus purchasing program has merit, and Idaho can look to other states for guidance.

Finally, districts can avoid unnecessary bus purchases by having a bus replacement plan based on bus age, use, and miles driven. None of the districts visited had a written bus replacement plan. In 2003, legislation was passed requiring the State Department of Education to develop a list of basic bus options that will be reimbursable by the state, as an approach to limit state reimbursement for non-standard bus features. The department is in the process of developing a list of bus options.

Recommendations

To address our evaluation findings about state oversight, district administration, funding cap implementation, contract management, and bus purchasing options, we make nine recommendations to the State Board of Education, the State Department of Education, and the Independent School District of Boise City. Implementation of these recommendations will allow the state to have better accountability of pupil transportation, reduce transportation costs, and help ensure safe and cost-effective pupil transportation for Idaho's youth attending public schools.

1. To improve the accountability of pupil transportation funds, the State *Board* of Education should clarify the State *Department* of Education's oversight roles and responsibilities for conducting in-depth program reviews, follow-up procedures, and financial reviews of school district pupil transportation activities.
2. To provide effective oversight of school district pupil transportation activities, the State Department of Education should:
 - a. Increase the frequency of its in-depth program and financial reviews
 - b. Expand the scope of its on-site spot inspections to include review of reimbursement claim documentation
 - c. Require school districts to submit and adhere to corrective action plans
 - d. Prioritize its schedule to address those districts that are subject to the pupil transportation funding cap
3. To ensure that adequate resources are available for effective oversight, the State Department of Education should submit a detailed plan to the Office of the Governor and the Legislature outlining resource needs for specific activities, number of proposed inspections, and expected results.
4. To reflect the substitution of 100 used buses for new ones in the contract cost, the Independent School District of Boise City should renegotiate its existing pupil transportation contract with Laidlaw Educational Services. A successful outcome of the renegotiation should result in lowering the cost of the current contract. If negotiations fail, the school district should not grant an automatic two-year extension to the current contract when it expires in June 2006; instead, the contract should be reopened to bidding.
5. To encourage school districts to implement more cost containment measures, the State Department of Education should:
 - a. Provide reimbursement trend analysis information on the department's website or in publications

- b. Modify its bus run report to include percent occupancy of each bus run
 - c. Work with the Pupil Transportation Steering Committee to develop best practices tailored to Idaho's pupil transportation needs
 - d. Request assistance from the Idaho Department of Health and Welfare for continued training of school districts in the use of Medicaid funding to offset some of the transportation costs for special needs students
 - e. Reinforce the requirement for districts to report Medicaid reimbursements received for special needs transportation
6. To ensure the information necessary (e.g., average daily ridership) for determining district reimbursable cost for pupil transportation is reported accurately and uniformly across the state, the State Department of Education should establish in administrative rule a method that increases and standardizes the days districts count riders.
 7. To improve the oversight of district pupil transportation contracts, the State Board of Education should:
 - a. Require all school districts to use a contract format approved by the State Department of Education
 - b. Clarify the State Department of Education's role in approving school district contracts, as well as when these reviews should take place
 - c. Develop guidelines for school districts to follow when reviewing pupil transportation bids
 8. To help districts develop request-for-proposal specifications that promote competitive bidding, the State Board of Education should obtain an opinion from the Office of the Attorney General on whether information about bus routes is proprietary.
 9. To optimize the use of school buses in the district fleet and to know when a bus needs to be replaced, eliminated, or added to the fleet, the State Department of Education should develop a model bus replacement plan that is based on mileage, age, and use criteria.

Acknowledgments

We appreciate the cooperation we received from school districts and the State Department of Education in conducting this study. We thank Rodney McKnight of the department and Jason Hancock of legislative Budget and Policy Analysis for providing technical assistance.

We also appreciate the input we received from the Office of the Attorney General, the State Board of Education, the Idaho Association of School Administrators, the Idaho Education Association, and the Idaho School Boards Association. We thank legislative leadership, the Joint Legislative Oversight Committee, the Senate and House committees on education, individual legislators, and the Office of the Governor for providing feedback that helped develop the scope of the study.

Paul Headlee (project lead), AJ Burns, and Ned Parrish of the Office of Performance Evaluations conducted the study, with additional assistance from two consultants: (1) Bob Thomas of Robert C. Thomas & Associates. Mr. Thomas is also Principal Management Auditor at the King County Auditor's Office in Seattle, Washington. (2) Maria D. Whitsett, Ph.D., Executive Director of Accountability at the Austin Independent School District in Austin, Texas.

Chapter 1

Introduction

The costs of pupil transportation for Idaho's 114 school districts have increased nearly twice the rate of inflation during the past ten years, raising legislative interest in fiscal accountability. The State of Idaho reimburses districts for 85 percent of the allowable costs of pupil transportation. To provide an incentive for districts to operate transportation services more economically, lawmakers enacted a cap on transportation reimbursements that goes into effect in fiscal year 2005, using the previous year's data.

The Joint Legislative Oversight Committee, at the request of legislative leadership, directed the Office of Performance Evaluations to review school district expenditures for pupil transportation. This report provides a detailed, statewide review of pupil transportation functions and expenditures and the results of our visits to 14 districts. This is the second in a series of reports by the Office of Performance Evaluations on the costs of public education in Idaho.

Overview of Pupil Transportation

Idaho Code requires districts to provide transportation for students to and from school who live more than 1.5 miles from school.¹ Of the \$67 million in district reimbursable expenditures in fiscal year 2002, the state reimbursed \$56 million, or 85 percent. During that school year, districts reported that they bused an average of 111,616 students per day using 2,643 buses.

Statewide, student transportation costs in fiscal year 2002 accounted for 4.7 percent of all current education expenditures. This was similar to the percent spent by Idaho's neighboring states and nationally. The National Center for Education Statistics reports that, on average, states spend about four percent of their current expenditures for pupil transportation.² Additionally, these expenditures exceed the annual appropriations of most state agencies. For example, the Idaho State Police, the Department of Parks and Recreation, and

¹ IDAHO CODE § 33-1501.

² National Center for Education Statistics. The most recent transportation services data are for fiscal year 2000. National and other state numbers are based on the Office of Performance Evaluations analysis of these data. Idaho numbers are provided for fiscal year 2002. These numbers give a context for where Idaho ranks compared to other states.

the Department of Juvenile Corrections each received less state general fund appropriations than pupil transportation.

Pupil Transportation Costs

Exhibit 1.1 compares changes in school district pupil transportation between fiscal years 1992 and 2002. During this time, the state reimbursements to districts for transportation expenditures increased 91 percent, a 49 percent increase in expenditures when adjusted for inflation. Transportation costs have increased nearly twice as fast as inflation during the past ten years.³

Other changes during the same time include a 20 percent increase in bus miles, a 16 percent increase in the number of buses, but only a 5 percent increase in the average number of students riding buses. State Department of Education records show that ridership peaked in fiscal year 1995 at 113,426 and has since decreased to 111,616 in fiscal year 2002.

As shown in Exhibit 1.2, 55 percent of pupil transportation costs for fiscal year 2002 are comprised of personnel salaries and benefits. In districts that contract for transportation services, driver salaries are included in the purchased services category as are bus repair costs. Fuel costs are a smaller portion of transportation costs, and are included in the supplies and materials category. Appendix A lists total and reimbursable costs, cost per mile, cost per rider, average daily ridership, and total enrollment for all 114 districts.

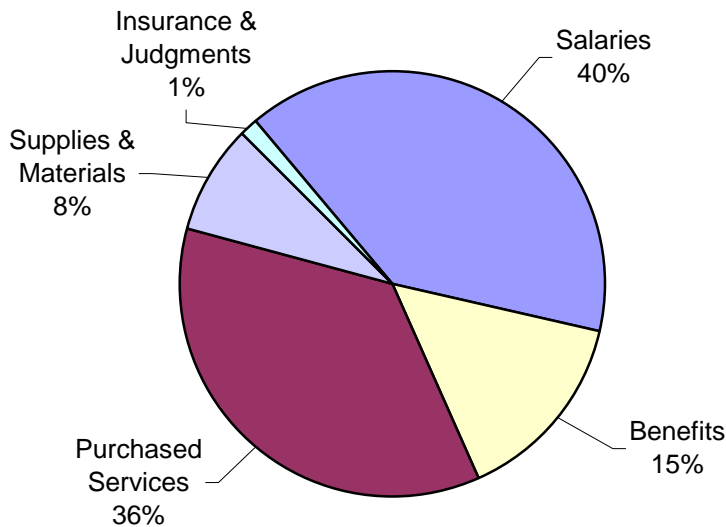
³ Actual expenditures were adjusted for inflation using the Idaho *Consumer Price Index—All Items (not seasonally adjusted)*. Between FY1992 and FY2002, the Consumer Price Index increased 28 percent while transportation costs adjusted for inflation rose 49 percent.

Exhibit 1.1: Comparison of Statewide Transportation Information, FY1992–2002

	<u>FY1992</u>	<u>FY2002</u>	<u>Percent Increase</u>	<u>Adjusted for Inflation</u>
District total reimbursable costs	\$34,520,002	\$65,986,097	91%	49%
Amount reimbursed by the state at 85%	\$29,342,002	\$56,088,182	91	49
Average daily ridership	106,819	111,616	5	–
Total miles driven	23,957,004	28,648,224	20	–
Total number of buses	2,277	2,643	16	–

Source: Office of Performance Evaluations analysis of data from the State Department of Education and the US Department of Commerce, Bureau of Labor Statistics.

Exhibit 1.2: Statewide Pupil Transportation Expenditures, FY2002



Source: Office of Performance Evaluations analysis of data from the State Department of Education.

Responsibilities for Pupil Transportation

Oversight of the \$56 million the state spends for pupil transportation is a complex, multi-step process involving monitoring by the department, school districts, and local school boards. The department’s Bureau of Finance and Transportation is responsible for safety inspections of buses, bus driver training, and oversight of the district reimbursement claims.⁴ The State Board of Education is responsible for approval of pupil transportation rule changes and safety busing costs.

Idaho Code requires the local board of trustees of each district to provide transportation to pupils of public schools within the district.⁵ The local board of trustees may establish bus routes and non-transportation zones, and must approve all bus routes by August of each year.⁶ District staff are required to oversee day-to-day pupil transportation operations, including transporting students, bus maintenance and inspection, hiring and training bus drivers, and payroll and benefits functions.

⁴ IDAHO CODE §§ 33-1006, 33-1506, 33-1511.

⁵ IDAHO CODE § 33-1501.

⁶ IDAHO CODE § 33-1502.

Legislative Interest, Accountability, and Study Mandate

The substantial increase in transportation costs have led some legislators to question if pupil transportation operations are being administered economically and with sufficient accountability. Accountability is important to the state's commitment to safe busing and safeguarding its financial interests, especially in light of Idaho's recent budget shortfalls.

The importance of accountability of public funds are emphasized in government accounting standards:

“The concept of accountability for public resources is key in our nation's governing processes. Legislators, other government officials, and the public want to know whether (1) government resources are managed properly and used in compliance with laws and regulations, (2) government programs are achieving their objectives and desired outcomes, and (3) government services are being provided efficiently, economically, and effectively.”⁷

In response to legislative interest, the Joint Legislative Oversight Committee directed the Office of Performance Evaluations to review school district pupil transportation services to determine if those services were being operated economically. The scope of the study was developed based on the information contained in our April 2003 report, *Overview of School District Revenues and Expenditures*, and feedback we received from the Legislature and the Office of the Governor.⁸ The report addresses the following issues:

- State oversight of pupil transportation services
- Administration of pupil transportation at the district level
- Reasons for variations in transportation costs among districts
- Impact of the funding cap
- Management of pupil transportation contracts
- Approaches to purchasing school buses

⁷ U.S. General Accounting Office, *Government Auditing Standards* (2003), 9.

⁸ This April 2003 report is available on our website at www.state.id.us/ope/. A report on school district administration is expected to be released in late January 2004.

Evaluation Approach and Methodology

This evaluation was designed to gain a detailed, statewide understanding of school district pupil transportation functions and expenditures. In addition, we assessed the role of the department in providing effective oversight of pupil transportation.

We conducted visits at 14 school districts with a total enrollment of 105,904 students (comprising 43 percent of statewide enrollment for fiscal year 2002). School districts were selected for on-site reviews based on many factors including annual transportation expenditures, geography, district size, similarities/differences, and whether they contracted for transportation services or operated their own fleets. We visited the following districts:

American Falls	Garden Valley	Payette
Boise	Idaho Falls	Post Falls
Coeur d'Alene	Madison	St. Maries
Council	Meridian	Twin Falls
Filer	Nampa	

We also spoke with officials from the Caldwell, Bonneville, and Parma school districts. To evaluate pupil transportation services and expenditures in the selected districts, we spoke with school superintendents, transportation supervisors, and other transportation staff, requested and reviewed documentation of reimbursement claims, conducted file reviews, and rode buses on designated routes. We reviewed information from the department including financial and operational data, busing manuals, program audit reports, and copies of busing contracts.

To review the fiscal impact of the new legislation capping transportation funds to school districts, we developed a computer model in a format that allows the user to determine funding impacts using various measures. We distributed this model to staff of the legislative Budget and Policy Analysis and the department. This model will be made available on our website.

Report Organization

The remainder of this report is organized as follows:

Chapter 2 discusses the state's oversight of pupil transportation services including the inspection of district financial records and follow-up procedures to ensure the districts have taken prescribed corrective actions.

Chapter 3 discusses the administration of pupil transportation at the district level and illustrates the impact of district decisions on state transportation costs.

Chapter 4 discusses why transportation costs vary in three pairs of school districts that have similar operations and/or expenditures: Boise and Meridian, Coeur d'Alene and Idaho Falls, and Filer and Twin Falls.

Chapter 5 discusses the transportation funding cap enacted during the 2003 legislative session and its potential impact on school districts.

Chapter 6 discusses the roles of school districts and the department in overseeing pupil transportation contracts and addresses issues specific to contracting for transportation services, including a comparison of contract rates.

Chapter 7 discusses school districts' approaches to purchasing school buses in Idaho and in other states, including the potential of using a statewide contract option.

Chapter 2

State Oversight

The State Department of Education has limited statutory responsibility for inspecting school buses for safety, providing driver training, and determining which district transportation costs are reimbursable. The department reviews districts for compliance with state requirements and provides financial review of district busing operations. Districts are asked to develop corrective action plans to address violations; however, the department does not have clear authority to enforce compliance. Districts rarely submit corrective action plans and the department does insufficient follow-up work to ensure the districts have taken corrective measures identified during district inspections. The Board of Education should clarify the department's responsibilities, and provide the department authority to ensure school districts take corrective action.

Districts receive a financial review of their records once every 40 years. This rate of review does not ensure that districts are accurately collecting and reporting transportation costs and other information required for reimbursement from the state. The department should review its resources and develop a plan to provide full program and financial review every four to five years (about 25 districts per year).

Department's Role Is Unclear

According to Idaho Code, the department, under the direction of the State Board of Education, is responsible for inspecting buses for safety, training bus drivers, determining which transportation costs are reimbursable, and defining basic bus purchase options.¹ These responsibilities are assigned to the department's Bureau of Finance and Transportation. Specifically, Idaho Code § 33-1506 authorizes the department to perform spot inspections and to remove an unsafe bus from service. However, it is not clear whether the department has the authority to require districts to submit corrective action plans for other violations of Idaho Code and administrative rules, or to penalize districts that do not make changes identified by the department in inspection reports.

Although not given the authority in statute or administrative rule, the department also conducts reviews of school district transportation programs for compliance

¹ IDAHO CODE §§ 33-1506, 33-1511.

with Idaho Code and administrative rule, and performs limited financial review of records related to the districts' transportation reimbursement claim. The department's transportation staff report that these additional functions are the department's fiduciary responsibility, because they reimburse districts for transportation costs. However, at the same time, department staff say their efforts are limited in terms of what they can do to make districts comply with department recommendations. This lack of clarity about the department's role and responsibility results in an inadequate mechanism to ensure district accountability for pupil transportation funds.

Department Provides Limited Oversight

Safely transporting students is the primary focus of the department's statutory responsibilities in working with district transportation programs. Idaho Code requires districts to inspect buses both annually and every 60-days during the school year, and to provide school bus driver training and annual driver evaluations.² There are no statutes or rules requiring the department to perform any level of fiscal review.

Although the department is not required by law to assess districts' compliance with Idaho Code and administrative rule beyond bus spot inspections, the department has established three processes to review district compliance with state laws and regulations relating to bus safety and the use of state funds.

- **Spot inspections** are conducted during on-site visits to 25–30 districts each year. These visits typically focus on inspection of buses, and review of bus driver skills and bus routes for safety concerns and violations of Idaho Code.
- **Program review/audits** are conducted during on-site visits to 2–3 districts each year. Program reviews typically incorporate all elements of the spot inspections with additional in-depth examination of district financial records and other information submitted on the reimbursement claim form.
- **Desk audits**, conducted annually by the department's Boise office, are limited reviews of district reimbursement claims. Department staff review claim forms for any unusual claims or significant changes from year to year, and contact districts to resolve questions via telephone, facsimile, or e-mail, and adjust the districts' reimbursement as necessary.

² IDAHO CODE § 33-1506 and § 33-1511.

All three methods of department oversight help identify areas of district non-compliance with laws and rules, although of the three methods, only spot inspections are required by law. The department performs an average of 26 spot inspections each year resulting in districts being visited once every four to five years. Spot inspections have typically focused on safety and do not include any level of fiscal review. According to the department, it generally takes two inspectors two to three days to complete one spot inspection.

District transportation personnel told us they found the department's on-site visits helpful in ensuring compliance with safety regulations and providing training for bus mechanics. They said department staff were knowledgeable and professional.

Program reviews, which are more in-depth than spot inspections and include a financial component, are not required by law. Program reviews are currently the only mechanism in place to review district transportation funding in detail. Assuming the Legislature intended the department to periodically review district use and reporting of transportation funds, the limited frequency of these reviews is not sufficient to ensure district compliance with state requirements. At the current rate of program review, it would take 40 years for the department to review all 114 school districts. As an example, 2 of the 14 districts visited had not had a program review in over 20 years for which information was available.

In addition, the department has not performed *any* program reviews since calendar year 2000. According to the department's transportation staff, they have been busy with additional bus driver training, administrative rulemaking, and fulfilling legislative requests. Department staff said that program reviews take two or three inspectors about a week to complete on site, and another one to two weeks to review fiscal records back at their offices in Boise.

The state has good reason to support more frequent program review because the financial component of the review has a fiscal impact on state and district funds. Our analysis of the most recent ten years of program reviews showed the financial component of the review resulted in an average reimbursement claim adjustment of about \$16,000 with the majority of these adjustments resulting in dollars returned to the state. The department's selection of districts to receive full program and fiscal audit reviews is based on factors such as the accuracy of their annual transportation reimbursement claim, the date of the last review, high turnover of district personnel, or an excessive number of accidents. Discussion of additional criteria for district selection is in Chapter 5.

The final method of review is the department's annual desk audit of all districts' transportation reimbursement claims. If department staff note any questionable information, they contact the district for clarification. We found the last two years of desk audit clarification questions required a substantial amount of staff time to do follow-up work. Desk audits are valuable in identifying some data errors, but are also limited in their ability to identify inefficient transportation operations.

Clarification of the Department's Roles and Responsibilities Is Needed

Clarifying the department's role and responsibility in reviewing district transportation operations is needed to determine what level of staffing and resources are needed. Currently, the department is meeting its statutory responsibility to perform spot inspections in a reasonably timely manner with existing resources. However, if legislative intent is for the department to also provide a level of financial review, the current frequency of review (once every 40 years) is inadequate to ensure appropriate use and reporting of transportation funds.

In addition, expanding the on-site spot inspections to include a minimal review of reimbursement claims and supporting documents would allow the department to verify overall costs, miles, and student ridership. This review could improve the quality of information submitted to the department and reduce the time needed to conduct desk audits. It took two Office of Performance Evaluations staff approximately one to two hours to complete a similar review. Department staff report they are beginning to modify spot inspections to include a review of reimbursement claims. An increased review, however, should **augment and not replace** existing safety inspections of buses, routes, and drivers.

Department's Follow-up Process Does Not Ensure District Compliance

The department has established a process for identifying violations of pupil transportation laws and rules and for notifying districts of expected corrective action. Program review and spot inspection reports inform districts that compliance with state requirements is necessary to "operate a fully approved reimbursable pupil transportation program." However, **none** of the last five districts audited by the department had provided the required written response describing their "contemplated or accomplished action." Department staff told us their process does not ensure districts submit written corrective action plans. In addition, there is no process described in statute or administrative rule to approve or disapprove a transportation program.

Identifying deficiencies and making recommendations are only a part of effective oversight. An effective oversight process includes a follow-up step to ensure identified problems have been corrected. Department staff report that they conduct follow-up visits to districts as time and staffing permit, but they do not make it a practice to keep records of each visit. We found evidence during our visits of continuing patterns of violations of Idaho Code by some districts and a lack of follow-up by the department to ensure those violations had been corrected. Many of the violations are related to the untimely safety inspection of buses and their operation, which could result in transporting students in unsafe buses.

60-Day Inspections. Idaho Code requires districts to inspect all school buses every 60 days during the school year.³ We reviewed 275 inspection records in 10 districts and found about one-third exceeded the 60-day inspection timeline. Nampa and Filer had the highest compliance rate of 96 percent with just one inspection exceeding the 60-day timeline. Garden Valley had the lowest compliance rate of 33 percent with 16 inspections exceeding the 60-day timeline, including missing inspection sheets. Appendix B provides a more detailed analysis of these results.

We found a lack of department follow-up of district corrective action in five of the ten districts in which we reviewed 60-day inspections. These districts, American Falls, Coeur d'Alene, Idaho Falls, Madison, and Payette all had spot inspections or program reviews during the last four years that cited poor adherence to 60-day inspections, yet our review showed continued problems with compliance. Additionally, Payette was the only district reviewed that routinely allowed bus drivers to conduct 60-day inspections, a practice other districts said they would not allow.

Department's Staffing Requirements Are Unclear

The department's transportation section has 3.7 full-time employees (FTEs). Department staff report that since 1996, they have provided 25 to 30 district spot inspections each year, increased bus driver training for better adherence to Idaho Code, increased bus mechanic training, and done additional work developing Board of Education administrative rules for pupil transportation.⁴ Yet, their level of staffing has remained essentially the same. Based strictly on their limited responsibilities assigned in Idaho Code and administrative rule, this staffing level appears to be adequate. However, the staffing level does not appear to be adequate to also perform in-depth program and financial reviews of districts.

If legislative intent is for the department to provide fiscal oversight, then performing in-depth program reviews in districts once every 40 years is not frequent enough. Also, current department resources do not appear to be adequate to conduct meaningful follow-up visits and ensure district compliance with state laws and rules. Clarification of legislative and Board of Education expectations and department responsibilities are needed to determine what would be the appropriate level of resources to adequately perform the oversight function.

³ IDAHO CODE § 33-1506.

⁴ IDAHO CODE § 33-1511.

Recommendations

- 2.1 To improve accountability of pupil transportation funds, the State *Board* of Education should clarify the State *Department* of Education's oversight roles and responsibilities for conducting in-depth program reviews, follow-up procedures, and financial reviews of school district pupil transportation activities.
- 2.2 To provide effective oversight of school district pupil transportation activities, the State Department of Education should:
 - a. Increase the frequency of its in-depth program and financial reviews
 - b. Expand the scope of its on-site spot inspections to include review of reimbursement claim documentation
 - c. Require school districts to submit and adhere to corrective action plans
 - d. Prioritize its schedule to address those districts that are subject to the pupil transportation funding cap⁵
- 2.3 To ensure that adequate resources are available for effective oversight, the State Department of Education should submit a detailed plan to the Office of the Governor and the Legislature outlining resource needs for specific activities, number of proposed inspections, and expected results.

⁵ See Chapter 5 for a detailed discussion of the funding cap.

Chapter 3

District Administration

Because the State of Idaho reimburses 85 percent of allowable pupil transportation costs, decisions and practices at the district level have significant fiscal impact on how much the state pays for transporting students to and from school. For example, a decision to allow a transportation contractor to substitute 100 used buses instead of providing new buses as quoted in the contract bid cost the taxpayers an estimated \$2.4 million. On the other hand, two districts consolidated bus routes and reduced staffing, resulting in savings of \$790,000. This chapter provides many examples of district decisions and practices that other districts may want to consider when managing their pupil transportation programs.

School District Responsibilities

School districts, as public institutions, have the responsibility to ensure efficient use of taxpayer dollars, whether the source of funds is local, state, or federal. Taxpayers benefit when districts choose to implement cost containment methods, because the cost savings can be used for other priorities including educational needs.

The State Board of Education requires districts to have written policies to review routes, a major cost factor in busing, but does not specify that routes be reviewed for economy. This lack of focus on promoting economical pupil transportation was reflected in the districts visited, where policies were primarily safety-oriented. Policies in most of the districts we visited vaguely mentioned economical transportation; only three of the 14 districts specified review of routes for efficiency or bus occupancies.

District Decisions Cost Taxpayers Substantial Amounts of Money

Because the state reimburses 85 percent of allowable transportation costs, decisions about transportation programs at the district level can have a significant impact on state reimbursement. Legislators have expressed concern that because the state reimburses such a large proportion of the total cost, districts have little incentive to reduce expenditures. The following are three examples of how district decisions can increase transportation costs.

Decision to Allow Substitution of Old Buses Cost an Estimated \$2.4 Million

Boise has contracted for transportation services for many years. The contract was recently awarded to a new contractor, Laidlaw Education Services. Laidlaw's bid stipulated they would provide 170 new buses (2003 models) at the beginning of the contract period.

After the contract had been signed by all parties, the contractor phoned the district transportation supervisor and asked permission to substitute 100 used (1998 model) buses for 100 new ones as proposed in the bid. The district transportation supervisor told us that she approved the substitution over the phone because the buses belonged to the former contractor and she liked the wider seats and tinted windows. However, the current contractor was not asked to modify or renegotiate the contract rates.

We estimate this decision to allow the substitution of the 100 used buses reduced the contractor's costs by approximately \$2.43 million.¹ A letter from the contractor supports this estimate, and includes an acknowledgement that this transaction allowed the contractor to "avoid an additional capital outlay" for new buses, and they could use the savings to expand "business in other markets."

According to Boise officials, Laidlaw characterized this transaction as a "win-win-win" for the district and the two contractors involved. However, because the district did not renegotiate the contract rates that included the costs of all new buses and the state and districts share costs 85 percent and 15 percent, respectively, this decision will cost the state \$2,068,220 and district taxpayers \$364,980 over the life of the contract. Both the department's deputy attorney general and the Contracts and Administrative Law Division Chief from the Office of the Attorney General said it would be legal, then and now, for the district and the contractor to renegotiate lower rates in exchange for the substitution of the buses.

Inaccurate Coding Decisions Cost State Taxpayers Thousands of Dollars

Idaho Code requires the state to reimburse districts for the transportation costs of allowable school activities. According to administrative rule, **reimbursable** activities include educational field trips when student grades are affected and the entire class participates. Trips taken as a class reward, by school clubs, or for any type of competition (athletic or otherwise) are **non-reimbursable** by the state. The department provides written guidance to help districts correctly code field trips.

¹ Contractor savings were estimated by subtracting the average list price of a 1998 school bus (\$26,466) from the average cost of a 2003 model school bus purchased by Idaho school districts, and reduced for a 16% contractor discount (\$50,798), then multiplied by 100 buses = \$2,433,200.

We reviewed 10 districts' methods of coding field trips and found that transportation to athletic events was generally coded correctly as non-reimbursable. However, other non-reimbursable trips were frequently coded incorrectly and paid by the state. In three of the 10 districts, we collected enough information to determine approximately 20 percent of the field trips were incorrectly coded, and as a consequence cost the state on average \$13,000 annually for each of these districts.

In the districts visited, non-transportation staff, such as fiscal staff or staff from individual schools, often coded field trips. Streamlining the process, including minimizing the number of individuals that are responsible for making coding decisions, would limit the potential for error. In addition, districts should take advantage of the coding guidance the department provides on its website.²

Decision to Use Charter Buses Varies Among Districts

Several districts told us they use private charter buses to transport athletic teams, marching bands, or other groups to events. Transportation supervisors vary in their acceptance of this practice. For example, some districts use charter buses to travel distances over a few hundred miles, because they believe it is more cost-effective and comfortable than using a school bus. Other districts use charter buses only when all other school buses are in use. Some districts will not use charter buses because of safety concerns.

Although charter buses are **not** reimbursable by the state, they are still paid for with local tax dollars, and their use does not appear to be consistently managed. We examined the use of charter buses in two school districts, Boise and Meridian. During the 2002–2003 school year, Boise spent \$186,000 on charter buses, while Meridian spent \$48,000. Boise does not have any district policies governing the appropriate use of charter buses. Meridian has a policy recommending the use of charter buses for trips only over 200 miles and places an annual limit on the amount each high school and middle school can spend on charter buses.³

Some Districts Have Implemented Cost Saving Measures

In response to recent budget shortfalls, several districts made substantial changes, such as changing school start and end times and consolidating bus routes to increase economy, while others did not report taking any cost containment measures.

² As of January 2003, the website address is: www.sde.state.id.us/finance/transport/regulations.

³ Annual charter bus limits are \$12,500 for each high school and \$4,500 for each middle school.

Transportation supervisors told us the most direct way to significantly reduce costs is by reducing the number of bus routes, followed by reducing staff-related costs. It should be noted that it is likely some districts, particularly small ones, are already operating with the optimum number of bus routes, and so are unable to use this cost reduction measure. The following are some of the most effective cost containment approaches districts reported.

- Bonneville, Idaho Falls, Madison, and Meridian recently took measures to consolidate and reduce their bus routes. For example, Idaho Falls recently changed school start and end times that allowed the elimination of 13 bus routes. Based on preliminary 2003–2004 information, we estimate these changes will generate \$306,000 in savings per year for the state and \$54,000 for the district.
- Bonneville consolidated routes and changed the way field trips were assigned to maximize the use of full-time drivers, in turn, reducing the number of drivers that qualify for benefits. Bonneville has demonstrated a reduction in costs of more than \$430,000 over the past two years, of which 80 percent was in personnel costs.
- Boise, Coeur d’Alene, Idaho Falls, and Post Falls reported reducing non-bus driver staff, and closely monitoring driver hours to reduce overtime and benefit payments.
- Coeur d’Alene, Council, Filer, Meridian, and Payette reported reducing or placing limits on the number of trips, events, or miles traveled for educational, athletic, and activity trips. For example, Council reported eliminating the junior high school’s participation in intramural sports to reduce travel costs to other school districts. Meridian limited the number of field trip miles individual schools may travel. Coeur d’Alene required classes to get community sponsors to pay for related field trips.

See Appendix C for additional examples of how Idaho school districts contain transportation costs.

More Efforts Are Needed to Improve Fiscal Accountability

Understandably, safety of school children is the first priority of the State Board of Education, the State Department of Education, and school districts. Districts we visited focused on transporting students to and from school safely and on time. This should not, however, preclude districts from operating an economical pupil transportation program. The following discussion describes areas that need improvement.

Expenditure Trends Are Not Routinely Analyzed

In several districts we visited, transportation supervisors and fiscal officers were unaware their districts had reported substantial changes in miles, costs, or riders from one year to the next, even though they report this information annually. The department produces an internal report that calculates one- and four-year percentage changes in all data categories. We found the report very useful in conducting this evaluation and believe districts would also benefit from this information to identify trends and areas of concern. The department's website could be utilized to make this information available to school districts and other decision makers.

Buses May Not Be Fully Used

We reviewed the number of students riding buses for three districts and identified numerous bus runs that appear to be underutilized and candidates for further district review. When possible (i.e., without adversely affecting school start and end times and riding time on the bus), consolidating bus runs and routes that have few students is the most effective way to reduce district transportation costs. We estimate districts spend about \$20,000 to \$35,000 per year to operate a single bus route.⁴

The department requires districts to submit a report that tracks what each bus does during the day, called a *run report*.⁵ Although the department's run report does not provide bus percent occupancy (riders divided by bus capacity), a measure of how well each bus is utilized on each run, the run report could be easily modified to automatically calculate this measure.

Results of our analysis of regular morning elementary and/or secondary school bus runs for three districts, Boise, Meridian, and Post Falls, showed that many buses may not be fully used.^{6,7}

- Post Falls averaged about 63 percent occupancy, or 45 elementary students per bus during the 2002–2003 school year, on each of its morning bus runs. The district attained its goal of 50 riders per bus on 9 of the 27 runs.

⁴ District costs are based on the amortized costs for the bus, and driver salary and benefits. Contractor costs were estimated using route costs from Exhibit 6.1.

⁵ A run is a one-way segment of a route. For example, picking up and dropping off elementary students in the morning would be the morning run of a bus route that also has mid-day, and afternoon runs.

⁶ To simplify the analysis and focus on regular bus runs, we excluded runs involving kindergarten, pre-school, disability, vocational, summer school, English Language Learner, and Idaho Reading Initiative students.

⁷ Fiscal year 2003 information for Boise and Post Falls was submitted to the department on the newly required "Run Report." Fiscal year 2004 information for Meridian was obtained directly from the district's transportation supervisor.

- Boise averaged about 50 percent occupancy, or 36 students per bus, on each of its elementary and secondary morning bus runs during the 2002–2003 school year. Further analysis also showed that 95, or over half, of Boise’s 177 regular morning bus runs operated at less than half the capacity, and many had fewer than 20 students.⁸
- Meridian is averaging about 50 percent occupancy on its elementary and secondary bus runs during this current 2003–2004 school year. Like Boise, over half of Meridian’s 291 morning bus runs operate at less than half the available capacity.

Bus runs with low percent occupancies are prime candidates for further review by districts to determine if opportunities exist for consolidation. For example, if Boise could consolidate 10 percent of its 95 bus runs that operated at less than 50 percent capacity, we estimate the district could avoid \$330,226 in annual costs.⁹ Appendix D provides a more detailed analysis of both Boise’s and Meridian’s percent occupancies for morning bus runs.

Comparison of Contractor- or District-Operated Transportation Costs Is Not Analyzed

Idaho Code § 33-1006(4) provides that school districts may be reimbursed for transportation services provided through a contractor “if the school district establishes that the reimbursable costs of transportation under the contract are equal to or less than the costs for school buses.” Twelve of the 14 districts we visited reported they had not performed a formal written analysis to determine if their current method (contractor- or district-operated) of providing transportation services was the most economical. The remaining two districts, Council and Boise, had done a formal written cost analysis.

- Council included in its analysis an estimate of the cost of the additional time for staff supervision, handling parent questions, and managing personnel issues. In addition, the district stipulated its continued ownership of the buses, enabling the district to return to district-operated services without a large capital outlay for purchasing buses. The outcome of the analysis was that the district decided to continue operating its own fleet because the estimated district-operated costs were slightly lower than the contractor bids received.
- Boise was the only contracting district that had completed a written analysis of transportation costs compared to new buses as stipulated in Idaho Code.

⁸ For safety reasons, Boise has adopted the National Highway Transportation Safety Association guidelines of three students per seat (100 percent occupancy) for elementary school students and two per seat (67 percent occupancy) for junior high and high school students.

⁹ Ten routes x \$185.52 (2003–2004 daily cost per route) x 178 days in school year = \$330,225.60.

District officials expressed concern about the capital outlay costs of purchasing new buses to switch from contractor- to district-operated. However, one former busing contractor told us that districts could creatively write their contracts to include options, such as district ownership of buses at the end of the contract, to alleviate some of these concerns.

Methods to capture costs for either contractor- or district-operated transportation systems are provided at the end of Appendix E and may be useful to districts when comparing costs.

Many Districts Do Not Pursue Reimbursements Through Medicaid

Ninety-three districts were eligible to bill federal Medicaid for special needs transportation costs incurred during the 2002–2003 school year, but only 13 districts filed and received reimbursements totaling \$12,997.¹⁰ Districts that are designated as Medicaid providers can bill Medicaid for reimbursement of transportation costs for qualifying special needs students at \$0.22 per mile, and \$7.64 per hour when aides accompany eligible students on the bus. Transportation services can only be billed for the days the qualifying student receives Medicaid-related services.

An approved Medicaid claim for special needs transportation is paid at approximately 70 percent by the federal Medicaid program. Districts use a combination of state and local funds to match the remaining 30 percent. Therefore, district transportation expenditures that are claimed through Medicaid reduce the state’s share of costs from 85 percent to 30 percent or less.

Rationale varied for not submitting Medicaid reimbursement claims for special needs transportation. For example, officials from one district did not believe that many of their students would meet the criteria and expressed concerns that they would do all the billing work and the state would receive the benefit. An official from another district said the district collects the appropriate information, but other Medicaid reimbursement claims that yield more dollars, such as psychological testing at \$58 per hour, take precedence over transportation claims.

The department should examine ways, including additional training or incentives, to assist districts to pursue reimbursement of special needs transportation through Medicaid. Realizing that billing Medicaid requires collection of data, staff, and other resources, districts should determine if the benefits of submitting for Medicaid reimbursement outweigh the costs. This is an important issue to resolve because many districts we visited identified special needs transportation as a factor that significantly increased their costs.

¹⁰ Currently, 97 school districts are providers and can bill for Medicaid services. However, only one of the ten largest districts received Medicaid reimbursement for special needs transportation expenditures in fiscal year 2003.

Federal Medicaid Reimbursements Are Not Always Reported. Districts received a total of \$57,464 in Medicaid payments for special needs transportation during fiscal years 2000–2002, but only reported \$17,457 to the department. Therefore, districts underreported \$40,007 of Medicaid reimbursements and may have received double payment for those expenditures.

Recommendations

- 3.1 To reflect the substitution of 100 used buses for new ones in the contract cost, the Independent School District of Boise City should renegotiate its existing pupil transportation contract with Laidlaw Educational Services. A successful outcome of the renegotiation should result in lowering the cost of the current contract. If negotiations fail, the school district should not grant an automatic two-year extension to the current contract when it expires in June 2006; instead, the contract should be reopened to bidding.
- 3.2 To encourage school districts to implement more cost containment measures, the State Department of Education should:
 - a. Provide reimbursement trend analysis information on the department’s website or in publications
 - b. Modify its bus run report to include percent occupancy of each bus run
 - c. Work with the Pupil Transportation Steering Committee to develop best practices tailored to Idaho’s pupil transportation needs
 - d. Request assistance from the Idaho Department of Health and Welfare for continued training of school districts in the use of Medicaid funding to offset some of the transportation costs for special needs students
 - e. Reinforce the requirement for districts to report Medicaid reimbursements received for any special needs transportation

Chapter 4

Why Pupil Transportation Costs Vary

Many factors influence the cost of pupil transportation. Some factors, such as the terrain or the number of special education students who ride the bus, are beyond a district's control, while other factors such as routing efficiency can be optimized. Our review illustrates varying reasons for cost differences between similar districts, such as driver's wages and benefits, bus depreciation and age requirements, contract specifications, and transportation program inefficiencies.

Some Factors Cannot Be Controlled by the District

Some factors that impact transportation costs cannot be changed, such as the number of special needs students that require specialized buses, the size of the district, or the number of students that live in remote areas. Other factors that cannot be changed are mountainous terrain, limited access to roads, and winter weather conditions.

For example, because of rivers, mountainous terrain, and the distance that students live from school, Garden Valley runs five routes to transport 142 students. One route is 79 miles round-trip and students ride the bus for about an hour each way. These routes cost the same, regardless of the number of students riding the bus, making it difficult for this district to reduce costs. However, some rural school districts, such as Garden Valley, often transport students of all ages on the same bus to reduce costs.

Another factor that may influence cost is the number of schools in a district, particularly secondary schools. Secondary schools frequently participate in intramural sports and extracurricular activities, and travel to other schools to participate. In general, the more secondary schools a district has, the more buses are needed to transport students to events. Districts we visited planned on having at least two spare or field trip buses for each high school, and depending on the district, two for each junior high/middle school as well.

Factors That Can Be Controlled by the District

Districts can control certain factors to increase operational efficiency and reduce costs. These factors include school start and end times, approaches to staffing, limiting field or activity trips, or bus purchasing practices. As mentioned

previously, bus routes are the major cost of pupil transportation and should be regularly reviewed. Districts can also compare their operations to similar districts to identify potential areas that need further study. We discuss some of the factors that cause district transportation costs to vary by examining three pairs of districts: Boise and Meridian, Coeur d’Alene and Idaho Falls, and Filer and Twin Falls.

Boise and Meridian District Comparison

Because of their proximity, we were able to study Boise and Meridian in more detail than other districts. Boise contracts for its transportation services, and Meridian operates its own system. As shown in Exhibit 4.1, Boise and Meridian had similar enrollment and total transportation costs in fiscal year 2002, but differed in other measures, such as average daily ridership, cost per mile, and cost per rider.

Boise has much higher costs per mile and costs per rider than the state average and other large districts. In fiscal year 2002, Boise’s cost per mile was \$3.50 and cost per rider was \$1,046, compared to the state average of \$2.55 per mile and \$588 per rider. Meridian reported a lower cost per mile and cost per rider because it transported far more students (almost twice as many as Boise) over 39 percent more miles.

According to Boise and Meridian transportation supervisors, several factors may contribute to their cost differences, including different approaches to collecting

Exhibit 4.1: Comparison of Boise and Meridian School Districts, FY2002		
	<u>Boise</u>	<u>Meridian</u>
Type of pupil transportation	Contractor-operated	District-operated
Fall enrollment	26,667	25,226
Average daily ridership	6,163	11,676
Number of routes	137	177
Total reimbursable costs	\$6,453,243	\$6,874,595
Reimbursable cost per mile	\$3.50	\$2.70
Reimbursable cost per rider	\$1,046	\$589
Reimbursable miles driven	1,842,753	2,546,019
Source: Office of Performance Evaluations analysis of data from the State Department of Education.		

and reporting information, bus depreciation and bus age, types and locations of special needs busing and special programs, and the number of schools.

Costs Reporting. It is difficult to directly compare the costs for contractor- and district-operated transportation services because of differences in how costs are reported. For example, contractors include taxes on their property and fuel, while districts do not, and districts pay retirement, while contractors generally do not.¹ Therefore, we were not able to identify all factors that may contribute to the Boise's higher cost per rider and cost per mile.

However, one contributing factor to the Boise's higher costs may have been previous contract rates. Because Boise's new contract rates are almost 3 percent lower for regular and special needs routes than the previous year, we estimate the new contract has the potential to save the district nearly \$104,000 this year.²

Bus Depreciation and Age Requirements. Districts that operate their own fleets are reimbursed by the state for the cost of the bus over 10, 12, or 15 years, based on the life expectancy of the bus. These bus *depreciation* payments are included in the districts' annual reimbursement from the state, and are also included in the districts' cost per mile and cost per rider figures. The costs of the contractor's buses are included in their contract rates.

Boise's transportation contract requires their contractor to maintain a bus fleet with an average age of 7 years, and does not allow any buses over 10 years old which is more restrictive than typical district-operated buses. The district added this stipulation to their contract due to previous experiences with poor bus maintenance. To adhere to these age requirements, Boise's contractor must purchase buses more frequently, and the costs of those newer buses are reflected in the contract rates.

In comparison, Meridian's bus fleet is about 9 years old with buses up to 23 years old. The district typically depreciates its buses over 12 years. If Boise's contractor depreciates their buses over five years—the maximum life of an Idaho contract—then by the time Meridian has paid-off one bus, Boise has paid for the equivalent of two buses through its contract rates.

Special Needs Busing Costs. Boise's special needs busing costs appeared to be slightly higher than Meridian's. Special needs busing costs are those costs related to transporting students who require special accommodations to ride a school bus. Although Boise and Meridian each collected special needs

¹ For a full discussion of the differences between contractor- and district-operated transportation services, see the May 1996 report of the Office of Performance Evaluations, *Contracted Versus District-Operated Pupil Transportation Programs*, at the OPE website: www.state.id.us/ope/.

² $(\$190.46 \text{ FY2003 rate} - \$185.52 \text{ FY2004 rate} / \$190.46) \times \$4,001,688 \text{ (FY2003 regular and special needs route expenditures)} = \$103,793.$

information differently, we were able to estimate costs and found them to each comprise a substantial part of their transportation budget. Boise reported that in fiscal year 2003, special needs transportation costs were \$2.06 million (30 percent of its budget).³ Meridian reported special needs buses traveled miles as 21 percent of its total reimbursable mileage, which we estimated cost approximately \$1.54 million.⁴

Specialized Programs. Transportation supervisors from both districts agreed that one factor influencing both districts' costs is how the two districts approach specialized programs, such as programs for students for whom English is not their first language, gifted programs, and vocational programs. Both Boise and Meridian provide special programs at several sites and transport students from schools all over the district to these sites, but could not provide an estimate of the transportation costs. However, based on the limited information Boise was able to provide, we estimate specialized programs account for less than 10 percent of that district's transportation costs.

Routing Efficiencies. Routing efficiency for both districts was discussed in Chapter 3. Both districts have many bus runs operating below 50 percent capacity and should be reviewed by each district for consolidation opportunities.

Coeur d'Alene and Idaho Falls District Comparison

Coeur d'Alene and Idaho Falls provided a good comparison of district-operated transportation programs located in different regions of Idaho. As shown in Exhibit 4.2, both districts have about the same student enrollment, and transport about the same number of students a similar number of miles; however, Coeur d'Alene's reimbursable transportation costs (\$1.49 million) were nearly half of Idaho Falls' (\$2.70 million) in fiscal year 2002.

Wages and Benefits. The majority of the difference between the districts' transportation costs is salaries and benefits. Idaho Falls reported \$2.25 million in transportation salaries and benefits compared to Coeur d'Alene at \$1.25 million. At that time, Idaho Falls was running 58 bus routes compared to Coeur d'Alene's 41 routes. Additionally, aside from regular route bus drivers, Idaho Falls employed 16 part-time bus monitors/assistants for special needs busing compared to four by Coeur d'Alene. Idaho Falls also employs four mechanics compared to Coeur d'Alene's two.

Routing Efficiencies. Routing efficiencies appeared to be another contributing factor to differences in costs between these two districts. In response to concerns regarding the funding cap, Idaho Falls recently adjusted school start

³ This is a conservative estimate because Boise could not isolate costs for pre-kindergarten students, who are considered to use special needs busing, from mid-day kindergarten students.

⁴ Based on preliminary fiscal year 2003 data: \$2.87 reimbursable cost per mile x 535,783 miles (21% of 2003 total reimbursable miles) = \$1,537,697.

Exhibit 4.2: Comparison of Coeur d’Alene and Idaho Falls School Districts, FY2002

	<u>Coeur d’Alene</u>	<u>Idaho Falls</u>
Type of pupil transportation	District-operated	District-operated
Fall enrollment	9,326	10,648
Average daily ridership	2,730	2,994
Number of routes	41	58
Total reimbursable costs	\$1,491,820	\$2,698,964
Salaries and benefits	\$1,248,065	\$2,245,911
Reimbursable cost per mile	\$2.43	\$3.75
Reimbursable cost per rider	\$542	\$901
Reimbursable miles driven	608,945	719,004
Source: Office of Performance Evaluations analysis of data from the State Department of Education.		

and end times and increased other routing efficiencies that enabled them to reduce the number of routes from 58 to 45 routes for the 2003–2004 school year. We estimate these changes will reduce Idaho Falls’ transportation costs by approximately \$360,000. Further, Idaho Falls reports the changes eliminate the need to travel about 90,000 miles annually. This potential reduction would decrease the gap between transportation costs in these two districts, although we estimate Idaho Falls will still spend about \$600,000 more on transportation than Coeur d’Alene.

Filer and Twin Falls District Comparison

Filer and Twin Falls provided a unique opportunity to compare districts that border each other, who use the same transportation contractor, but have different contract rates. Our review showed that even though these two districts use the same contractor, they have enough differences to result in different contract rates. Exhibit 4.3 compares the contract rates and miles driven per rider for these districts.

Contract Rates. Twin Falls’ current regular route rate is \$3.64 per mile, while Filer’s is \$2.18 per mile. The districts’ contractor, Western States Bus Service, reports that the rates for Filer are lower because most of the miles driven are “highway” miles with few stops, rather than “in-town” miles with many stops. A review of both districts shows that on average each year, Twin Falls travels

Exhibit 4.3: Comparison of Filer and Twin Falls School Districts Contract Rates, FY2004

	<u>Filer</u>	<u>Twin Falls</u>
Contractor	Western States Bus Services	Western States Bus Services
Regular route rates	\$2.18/mile	\$3.64/mile
Activity and field trip rates	\$1.16/mile	\$26.50/hour
Miles per rider ^a	271	150

^a Fiscal year 2002 information.

Source: Office of Performance Evaluations analysis of data from the State Department of Education.

about 150 miles per rider to and from school compared to 271 miles per rider for Filer. The contractor's representative told us traveling more miles per rider allowed the contractor to charge a lower per mile rate.

Another difference between districts is the way the two districts require contractors to charge for field trips. Twin Falls contracts for field trips at \$26.50 per hour, while Filer pays a flat per mile rate of \$1.16 per mile. The contractor reports using a cost per mile rate is more beneficial to Filer because its field trips are typically shorter in distance than Twin Falls.

Other Factors That Affect Costs. Western States Bus Services reported that using the Twin Falls bus facility to house maintenance and operations for both districts, and sharing support staff, such as a dispatcher, results in costs savings for both districts. Filer allows the contractor to park buses on district property. This reduces the need to pay for extra miles driven each day to park the buses at the Twin Falls facility.

Transportation Costs Vary for Many Reasons

The preceding comparisons of six districts provide answers to why pupil transportation costs vary from district to district. Higher costs are due, in part, to factors unique to the district and cannot be changed, such as district size, the local terrain, or the number of students with special transportation needs who ride the bus. Costs are also higher in some districts because their transportation operations may not be as economical as their comparison district. Cost factors that can be controlled include the age of the buses, the number of routes, bus occupancy, and driver benefits and salaries.

In the case of Boise and Meridian, the age of buses, length of time buses are depreciated, and contract rates appear to be factors contributing to higher costs per mile and per rider. Additionally, contract terms, charter bus policies, bus routing, and bus occupancies discussed in Chapter 3 should also be considered as factors that contribute to cost differences. Staffing and bus routing efficiencies appear to be the main factors contributing to differences between Coeur d'Alene and Idaho Falls, while differences between Filer and Twin Falls contract rates are primarily due to differences in distances the buses must travel in each district to transport students to and from school.

Chapter 5

Pupil Transportation Funding Cap

The 2003 Legislature placed a cap on reimbursement of pupil transportation costs to provide an incentive for school districts to operate transportation programs economically. The funding cap limits district reimbursement to 110 percent of the state average cost per mile or cost per student (rider), and goes into effect in fiscal year 2005, using the previous year's data. Savings from the funding cap can be redirected back to the classroom or used for other priorities. The state would have saved an estimated \$1.9 million in reimbursement costs to districts for fiscal year 2002 had the funding cap been in place.

We developed an easy to use computer model to analyze the funding cap and provide observations about the districts potentially impacted by the cap. The process to implement the cap will require some clarification. Districts that are subject to the cap should be reviewed by the State Department of Education to identify factors contributing to higher costs. The State Board of Education may grant a waiver to districts that, for reasons beyond their control, cannot reduce costs.

Lawmakers Instituted a Funding Cap to Control Transportation Costs

Capping the amount of funds districts receive through Idaho's funding formula is not a new concept. It was proposed during the 1995 legislative session, but did not go to a vote. This concept was again discussed extensively during a 1996 legislative working group.

During the 2003 legislative session, a proposal to cap reimbursements to school districts was introduced into the Senate Education Committee where it received a hearing, but was held in committee. Later in the same session, an appropriation bill was passed that included language capping the amount districts may receive as a percentage of the state average cost per mile or average cost per student (rider). Idaho Code § 33-1006(5) states:

The state's share of the transportation support program shall be eighty-five percent (85%) of allowable transportation costs of the district incurred during the immediately preceding state fiscal year, provided the allowable costs do not exceed one hundred three

(103%) percent of the state average reimbursable cost per mile or the state average reimbursable cost per student, whichever is more advantageous to the school district. If a school district's costs exceed the one hundred three percent (103%) limit when computed by the more advantageous of the two (2) methods, that school district shall be reimbursed at eighty-five percent (85%) of the maximum limit for whichever method is more favorable to the school district...¹

The cap will first take effect in fiscal year 2005 using fiscal year 2004 operations information and costs. The cap will be based on the individual district's cost per mile and cost per student (rider) compared to the state averages for those measures. Beginning in fiscal year 2005, individual districts that are above 110 percent of **both** state averages, will only be reimbursed 110 percent of the state average cost per student (rider) **or** 110 percent of the state average cost per mile, whichever is most advantageous to the district. Districts that are not above the state averages for both cost per student (rider) and cost per mile will still be reimbursed based solely on their cost per mile. To further promote efficiencies, the cap limit decreases to 105 percent in fiscal year 2006, and 103 percent in fiscal year 2007.

Districts Can Apply for a Waiver or a Loan to Cover Costs

Recognizing that some districts may have special circumstances that prevent them from substantially reducing costs, the Legislature added a provision to Idaho Code § 33-1006 that allows districts to apply for a waiver from the funding cap. Districts that believe they exceed the state averages because of uniquely difficult geographic circumstances, or extraordinary one-time circumstances, may apply to the Board of Education for a waiver. However, the board should work with the department to clarify, for the benefit of school districts, the specific steps to apply for a waiver, such as application forms, required information, and deadlines.

The legislation also provides that districts unable to absorb the impact of the limitation on reimbursable expenses, either because of efficiencies or the utilization of fund balances, may apply to the board to receive a loan from the public education stabilization fund. Districts receiving such a loan will have their following year reimbursements reduced by the same amount in the subsequent fiscal year.

¹ During the 2003 legislative session, Idaho Code § 33-1006 was modified by House Bill 463 to place the cap at 103 percent of the statewide averages, but was later modified with House Bill 467 to phase in the cap at 110 percent in fiscal year 2005, 105 percent in fiscal year 2006, and 103 percent in fiscal year 2007.

OPE's Model Allows Detailed Analysis of the Funding Cap

We developed a computer model that incorporates the funding cap requirements to estimate funding impacts at different percentages, district ridership numbers, or district expenditures. This model has been very helpful in understanding the impact to other districts resulting from changes in one district. Department officials have indicated that they are interested in posting this model on their website so that districts can use it as a tool to estimate funding impacts based on their expenditures.

Accuracy of District Data Is More Important Than Ever Before

Prior to the implementation of the funding cap, average daily ridership was collected for informational purposes only, but is now an integral part of the pupil transportation funding formula. Therefore, inaccurate ridership information reported on the annual reimbursement claim form can directly impact reimbursement amounts.

Districts varied greatly in their interpretation of and adherence to state pupil transportation data collection requirements.² Generally, districts reported accurate information on operating costs and miles driven. However, methods used by districts to calculate daily ridership, for both regular and safety-based students, need substantial improvement. Although the department provides clear instructions for collecting average daily ridership, each of the 14 districts collected this measure differently from each other, and from the department's instructions.^{3,4} Additionally, ten of the districts could not provide documentation for the numbers of riders they reported or the methods they used.

Of the two measures used in the funding cap formula, the cost per rider measure is by far more sensitive to inaccurate data than the cost per mile measure. Miscalculating average daily ridership by 50 riders in a small sized district could dramatically change its cost per rider figure. For example, in fiscal year 2002, Horseshoe Bend reported 189 riders for a cost per rider of \$737. If the district had incorrectly reported an increase in its ridership by 50 students, the cost per rider would decrease to \$583, dropping below the state average. Conversely, the miscalculating of 100 miles driven would only change the cost per mile by 1 cent.

² The annual reimbursement claim form instructions provide definitions and methods as to how costs, mileage, and other information are to be collected.

³ The instructions for calculating average daily ridership were included on the 2001–2002 *Annual Reimbursement Form* as “Count each student only one time whether he or she rides one-way or both ways. Count should be the ‘highest average’ daily ridership. Counts should be taken at least two times per semester and the ‘highest semester average’ used. All student counts should be taken on the same day (a.m., midday, and p.m.)”

⁴ Under direction of the Board of Education, the department recently directed all school districts to count ridership each day during the week of January 12–16, 2004, and report the highest single day. This effort is intended to improve the accuracy of ridership information that is used for reimbursement purposes.

Calculating State Average Cost Per Mile and Cost Per Rider

For the original proposed legislation, the department was using individual district averages of cost per mile and cost per rider to calculate the state averages used in the funding cap. Based on our analysis of the funding cap legislation and conversations with legislative Budget and Policy Analysis staff, we conclude that legislative intent is to use statewide total costs, miles, and riders when calculating the state averages.⁵

Impact of Funding Cap on Districts Using Fiscal Years 2002 and 2003 Data

Exhibit 5.1 shows which districts would have been fiscally impacted using the statewide average at 110 percent based on fiscal year 2002 and 2003 data. At the 110 percent level, 11 districts would have experienced funding decreases for a total of \$1,917,142 (fiscal year 2002 data) and \$1,795,589 (fiscal year 2003 data). The impacted districts are essentially the same in each year with the exception of Kamiah, Lewiston, and Meadows Valley. Lawmakers can redirect savings from the transportation funding cap to other priorities including more money for classroom instruction.

Districts Have Reacted to the Funding Cap Differently

Idaho Falls reacted to the funding cap by changing school start and end times and took other measures to decrease costs. This resulted in the reduction of 13 routes, 15 bus drivers, 6 bus aides, and about 90,000 miles driven per year. We estimate that these changes will save \$360,000 in fiscal year 2004 (see Chapter 4).

Boise formed a transportation committee that met monthly to determine ways to improve its transportation operations and reduce costs. The committee developed a list of proposed cost-saving options that included route consolidations, centralized stops, review of bus attendants, review of charter bus use, a study of school start and end times, and review of school boundaries.

Boise recently implemented one of the committee's suggestions—a media campaign to promote “Use It or You Could Lose It” for two ridership count days and “Increase School Bus Ridership Month.” According to district officials, these efforts are an attempt to increase average daily ridership by 2,000 students to help the district fall below the state average cost per rider. This campaign included providing reward coupons for free hamburgers to eligible students who

⁵ State Average Reimbursable Cost Per Mile = Total Reimbursable Costs - In-Lieu Costs/State Total Reimbursable Miles. The State Average Reimbursable Cost Per Student (Rider) = Total Reimbursable Costs - In-Lieu Costs/State Average Daily Ridership. In-lieu payments are made to parents for transporting their students to and from school due to unique geographical circumstances.

Exhibit 5.1: Impact of 110 Percent Funding Cap on District Reimbursements If Applied to FY2002 and FY2003 Reimbursement Requests

<u>District</u>	<u>FY2002</u>		<u>FY2003^a</u>	
	<u>Decrease in State Reimbursement</u>	<u>Percent of State Reimbursement</u>	<u>Decrease in State Reimbursement</u>	<u>Percent of State Reimbursement</u>
Boise Independent	\$1,081,138	19.7%	\$1,087,816	19.6%
Buhl Joint	28,369	8.2	11,240	3.3
Garden Valley	43,312	22.7	41,922	23.4
Gooding Joint	19,473	5.7	47,834	13.9
Horseshoe Bend	14,522	12.2	<i>none</i>	<i>none</i>
Idaho Falls	577,692	25.2	405,971	18.2
Kamiah Joint	<i>none</i>	<i>none</i>	9,061	6.5
Lewiston Independent	<i>none</i>	<i>none</i>	8,449	1.1
McCall-Donnelly Joint	37,109	7.4	55,589	10.7
Meadows Valley	8,147	13.3	<i>none</i>	<i>none</i>
Salmon	<i>none</i>	<i>none</i>	18,345	5.9
Twin Falls	5,890	0.7	<i>none</i>	<i>none</i>
Valley	26,801	7.6	52,756	15.2
Wendell	74,689	19.7	56,606	14.8
TOTAL	\$1,917,142	3.4	\$1,795,589	3.1

^a Preliminary information not finalized by the State Department of Education.

Source: Office of Performance Evaluations analysis of data from the State Department of Education.

rode a school bus on the day ridership was counted. The district also cites safety and traffic reduction as benefits of this effort.

While current instructions allow Boise to report the highest ridership days, rewarding students to ride school buses *on count days* for state reimbursement purposes may only provide an artificially increased number, and hence, not make pupil transportation any more cost-effective. For example, Boise's daily ridership for the past eight years has averaged 6,222 riders per day, but the district counted 7,198 riders on the first scheduled count day when hamburger coupons were issued. Boise reported that no additional buses or routes were needed to accommodate the increase in riders, indicating buses may not be fully used (see Chapter 3).

Additional Observations on the Pupil Transportation Funding Cap

We reviewed in detail the elements of the funding cap approach and offer the following observations:

- Districts that are above the state averages should be the first considered for the department’s full program reviews. Based on the results of its review, the department may be able to isolate reasons for higher than average costs. Additionally, districts applying for a waiver should also be considered for a full program review.
- The appropriation language implementing the cap could benefit by some minor revisions. The language addresses cost per “student” while the intent is cost per “rider.” This change would avoid confusing the district’s average daily ridership count with the district’s total enrollment count. Also, the terms “allowable” and “reimbursable” appear to be used interchangeably; one term should be selected and used consistently.
- Currently, the department may make adjustments to district reimbursements for up to three years after the claim is submitted. Potential problems could arise when the department reviews a district and makes corrections in costs, miles, or riders, and these corrections affect whether that district or other districts would be subject to the funding cap. The department and the Board of Education will need to address this potential situation.

Recommendation

- 5.1 To ensure the information necessary (e.g., average daily ridership) for determining district reimbursable costs for pupil transportation is reported accurately and uniformly across the state, the State Department of Education should establish in administrative rule a method that increases and standardizes the days districts count riders.

Chapter 6

Contract Management

Idaho Code § 33-1510 allows school districts to contract for pupil transportation. However, the State Department of Education's responsibilities for overseeing and approving contracts for pupil transportation services are unclear. In fiscal year 2002, the pupil transportation costs of 22 contracting districts were nearly \$21 million. Because a significant amount of taxpayer money is involved, the State Board of Education should clarify the department's role in reviewing pupil transportation contracts.

Officials in two districts told us they did not provide potential bidders route descriptions, because they believe the information to be proprietary to the existing contractor. Route descriptions are a key component needed by bidders to estimate contract costs. To help districts with their bidding process, the department should determine if routing information is proprietary.

Districts Rely on Their Contractors for Key Information

School districts contract for pupil transportation services for a variety of reasons, including lack of district administrative support staff to handle the added workload of transportation personnel, and the initial cost of purchasing buses and facilities. Of the 114 districts in Idaho, 22 contract with private companies to provide pupil transportation services, and in fiscal year 2002, the total reimbursable contractor costs were nearly \$21 million.

These contracting districts must perform certain tasks to ensure that the contractor is safely, efficiently, and economically transporting students to and from school. These tasks include developing contract bid specifications, providing oversight, and reviewing the contracted services for cost and operational efficiencies. Unlike districts that operate their own transportation services and have staff with expertise in pupil transportation, contracting districts typically lack in-house expertise and therefore rely on their contractors.

As part of the contract, the contractor is generally responsible for both designing the bus routes and reviewing them for cost and operational efficiency. Relying solely on the contractor to review transportation services for cost efficiency presents an inherent conflict of interest. Because contractors are paid either by the route or by the mile, there is little incentive for them to eliminate routes or unnecessary miles.

Department’s Role in Approving Contracts Is Unclear

Idaho Code § 33-1510 states that, “All contracts entered into by board of trustees for the transportation of pupils shall be in writing in a *form approved* [emphasis added] by the state superintendent of public instruction.” Board of Education administrative rule further states the department “shall develop and maintain a model contract.”¹ However, it is not clear if districts that contract for transportation services are required to use the department’s model contract. Six of the 22 contracting districts do not use the model contract.

The model contract is designed to protect state and district interests. For example, the model contract includes language that binds the contractor’s bid proposal to the signed contract, so that the contractor is responsible for providing all services that were promised in the bid proposal.

The department receives copies of all district contracts, and its deputy attorney general reviews them to ensure that they have the elements of the model contract. However, the Deputy Attorney General said there is little that can be done to the contract, because districts typically send a copy of the contract to the department after all parties have signed it. According to the department, the purpose of the review is to confirm the legality of the contract, rather than assess the appropriateness of the cost or other terms. It is evident that the department’s current practice of reviewing the contracts contributes little, if any, in terms of ensuring that districts are contracting for cost-effective pupil transportation services. Additionally, we found one district that is in the final year of a seven year contract, which is two years more than allowed by Idaho Code.

District Contract Award Processes Differ

Idaho Code § 33-1510 requires individual districts to advertise, bid, and contract for all pupil transportation service routes at a single time, and to contract with the lowest responsible bidder meeting the specifications. Also, contracts may not exceed five years in duration. Idaho Code § 33-402(g) requires the first notice for bids be published at least two weeks before the date set for opening the bids. However, neither state law nor administrative rule provide standards or guidance to districts on how to review bids once they are received.

We evaluated the contract review process in six contracting districts and found they reviewed bid proposals differently. In four of the six districts, we observed certain contracting practices of concern—a bid scoring system that appeared inequitable, bid sheets reworked by the reviewers, bid reviews that did not include all costs, and bid documentation that was not retained. An official from

¹ IDAPA 08.02.02.190 rule by reference, *Standards for Idaho School Buses and Operations*, 71, November 15, 2001.

one of these districts said that the reworking of bid sheets was necessary to make bids from different vendors comparable. Other district officials offered no explanation.

Route Information Is Not Always Provided to Bidders

Two districts we reviewed declined to provide detailed route information as part of their requests for proposal, claiming this information belonged to the contractor and was considered proprietary under Idaho law. In one of these districts, a potential contractor contested the bidding process and claimed that disclosure of existing bus route stops and times was necessary to submit a competitive bid. The district declined to provide the route information under advice of its attorney. However, the same district requires its contractor to publish route stops and times in the local newspaper at the beginning of each school year.

According to the department's deputy attorney general, route information does not appear to be proprietary. Not providing current bus route stops and times to all potential bidders may put them at a disadvantage in comparison to the existing contractor. A bid process weighted in favor of the current contractor may not result in contract rates at fair market value.

Contractor Rates Are Difficult to Compare

Exhibit 6.1 lists the rates for regular bus routes (to and from school) and activity busing (trips to athletic and other competitive events) for the 22 districts that contract for pupil transportation services. Rates are not directly comparable because bus routes differ in length and time to complete. In addition, there is much variation in how districts pay contractors. For example, 11 contractors base their services on cost per route per day even though the department's model contract uses cost per mile as the basis of the rates.

A wide range exists between regular bus route rates and activity busing rates within some districts. For example, Wendell pays \$3.05 per mile for regular routes, but only \$1.65 per mile for activity busing. Department staff told us that contract districts may have a financial incentive to negotiate higher rates for regular school bus routes and less for activity busing, because the state pays 85 percent of regular bus routes, but does not pay for activity busing.

Representatives from one contracting district told us that activity busing is far less predictable than regular route busing, therefore contractors apply higher rates to regular routes. Other contractors told us that activity busing was less expensive to provide because it typically entailed traveling more miles with fewer stops than regular routes. The variation in the way contractors charge for busing makes it difficult to determine if rates for busing are appropriate.

Exhibit 6.1: School District Pupil Transportation Contract Rates^a

	5-Year Contract Dates	Regular School Route Per Day	Activity Busing Cost ^b	Uses Model Contract
Districts That Use Cost Per Route Rate				
Boise Independent	2003–2008	\$185.52	\$44.35 for 2 hours	No
Caldwell	2002–2007	33.25 ^c	\$0.75 per mile plus \$14 per hour	Yes
Castleford Joint	1999–2004	160.00 ^d	\$1.38 per mile with \$30 minimum	No
Gooding Joint	2003–2007	145.00	\$1.24 mile with \$27 minimum	No
McCall–Donnelly Joint	1999–2004	177.00 or 189.00 ^e	\$17.00 per hour	Yes
Meadows Valley	2001–2006	183.00	\$18.25 per hour	Yes
Middleton	2003–2008	126.00	\$1.80 per mile with \$54 minimum	Yes
Nampa	1999–2004	164.50	\$0.45 per mile plus \$18 per hour	Yes
Valley	2001–2006	186.47 ^f	\$1.98 per mile with \$45 minimum	Yes
Vallivue	2002–2007	152.74 ^g	\$0.82 per mile plus \$15.04 per hour	Yes
Wilder	2003–2008	107.25	\$0.80 per mile plus \$16.25 per hour	Yes
Districts That Use Cost Per Mile Rate				
American Falls Joint	2003–2008	\$2.20	\$1.05 per mile	No
Blackfoot	1999–2004	1.46 to 2.90	\$59 per trip	Yes
Buhl Joint	2002–2007	2.89 ^h	\$1.36 per mile with \$43.50 minimum	Yes
Filer	2002–2007	2.14	\$1.14 per mile	Yes
Garden Valley	2000–2005	3.68	\$1.45 per mile plus \$6.50 per hour	Yes
Hagerman Joint	2002–2007	2.21	\$1.41 per mile with \$43 minimum	Yes
Highland Joint	1997–2004 ⁱ	1.94	\$1.50 per mile plus \$5.50 per hour	No
Jerome Joint	2003–2008	2.20 to 2.55	\$1.24 per mile	Yes
Twin Falls	2003–2008	3.64	\$26.50 per hour	No
Wendell	2003–2008	3.05	\$1.65 per mile	Yes
District Rate Unknown				
Mountain Home	2003–2008	Not provided	Not provided	Yes

^a Reported rates are for first year of contract

^b Activity rate based on travel within the district

^c Contractor charges \$33.25 per run and estimates over 90% of routes have four runs (4 x \$33.25 = \$133)

^d Average rate based on \$142,490 for 5 routes for 178 days

^e Cost depends on bus capacity

^f Average rate based on \$1,678.27 for 9 routes

^g 2003 rate

^h Some routes have \$88 minimum charge

ⁱ **This is a 7-year contract, which is not allowed by Idaho Code**

Source: Office of Performance Evaluations analysis of school district contracts on file at the State Department of Education.

Recommendations

- 6.1 To improve the oversight of district pupil transportation contracts, the State Board of Education should:
 - a. Require all school districts to use a contract format approved by the State Department of Education
 - b. Clarify the State Department of Education's role in approving school district contracts, as well as when these reviews should take place
 - c. Develop guidelines for school districts to follow when reviewing pupil transportation bids
- 6.2 To help districts develop request-for-proposal specifications that promote competitive bidding, the State Board of Education should obtain a formal opinion from the Office of the Attorney General on whether information about bus routes is proprietary.

Chapter 7

Approaches to Bus Purchasing

Recently, policymakers have considered legislation that would require districts to purchase school buses through a state contract administered by the Department of Administration's Division of Purchasing. The intent was to reduce bus purchasing costs by taking advantage of buying buses in larger quantities. We examined bus purchasing practices in Idaho and other surrounding states and found that Idaho school districts combined do not typically purchase enough buses to acquire large discounts.

None of the 14 districts we visited had a written bus replacement plan. The absence of a replacement plan can result in unnecessary bus purchases. To limit state reimbursement for non-standard bus features, legislation was passed in the 2003 session requiring the State Department of Education to develop a list of basic bus options that will be reimbursable by the state. A statewide bus purchasing program has merit, and Idaho can look to other states for guidance.

Districts Do Not Have Written Bus Replacement Plans

The state reimburses school districts for the costs of buses amortized over 10, 12, or 15 years, depending on the model of the bus. Each year the district receives a “depreciation” payment for the bus as part of the district’s transportation reimbursement claim. Districts are required to place these bus depreciation payments into a holding account to be used for future bus purchases.

Transportation supervisors told us that availability of funds, bus age, and cumulative mileage are the primary factors that influence district bus purchasing decisions. However, none of the 14 districts we visited had written bus replacement plans. It appeared that in general, most districts purchased the same number of buses each year unless funding was limited, regardless of miles driven and frequency of use. Without written plans for replacement, buses may be retained longer than is cost-effective or be replaced when unnecessary.

For example, one district purchased two new buses to replace spare buses that were driven only 29 and 107 miles during the previous year. The transportation supervisor told us that the district probably could have operated adequately without replacing at least one of the buses. When asked why the district was replacing the bus, rather than just eliminating it from the fleet, we were told it was convenient to have the bus available. Retaining buses for occasional use

requires that those buses be maintained and inspected, which cost money. A replacement plan would help district transportation supervisors optimize the number of buses in their fleets by eliminating buses that are seldom used.

Lawmakers Considered Ways to Reduce Bus Purchasing Costs

Concerns about excessive spending on optional bus features prompted lawmakers to pass House Bill 463 during the 2003 legislative session, requiring the department to develop a list of basic bus features the state will approve for reimbursement by fiscal year 2005.¹ The cost of additional features, not considered part of the basic bus, will be the district's responsibility. State Board of Education administrative rules establish a transportation steering committee with which the department could work to develop a list of approved bus features.

Also, during the 2003 legislative session, House Bill 310 was introduced that would have required all buses be purchased through a statewide bid process developed by the Department of Administration's Division of Purchasing. This proposed legislation did not pass and was based on the concept that combining all bus purchases would allow the state to receive a better price than individual districts purchasing a smaller number of buses. The bill's intent was to reduce the state's share of bus costs by setting bus specifications, reimbursing on the lowest bid, and creating competition among dealers.

House Bill 310 as written did not define the concept of a basic vehicle and the process of bus approval was not clear. In addition, the Division of Purchasing, rather than the department, was given the lead responsibility. In other states we contacted, education departments ran the statewide bidding processes. Should lawmakers wish to again pursue this legislation, defining what a "basic bus" means and clarifying the approval process in legislation, or assigning these responsibilities to the State Board of Education to clarify in administrative rule, would strengthen the proposed language.

District officials expressed concerns that a statewide bidding approach might compel them to purchase a bus that does not fully meet their needs, which might result in higher operating costs. Additionally, a representative of the largest school bus dealership in Idaho said that a bid process that awards the contract to only one vendor might put the other school bus dealers out of business, ultimately resulting in a lack of competition in the state. He further reported that profit margins are not high enough to offer large discounts on the number of buses the state would likely buy. For example, he reported that depending on how many buses are ordered and what specifications are requested, he could offer about a \$500 to \$1,000 discount per bus. Department records show Idaho

¹ IDAHO CODE § 33-1006(2).

school districts purchased 125 buses in fiscal year 2002. Such a discount on the purchase of 125 buses could save the state between \$62,500 and \$125,000.

Neighboring States Use Statewide Bidding Processes

Washington and Wyoming each use a statewide bidding process to purchase buses. In Washington, a much larger state in terms of population, school districts purchase between 2,500 and 3,000 buses each year. The state allows districts to choose between purchasing buses on the statewide bid, or through an organized consortium of school districts, or by any other means the districts might wish to follow. However, the state reimbursement is tied to the low bid for a basic bus established through its statewide bid.

Wyoming also uses a statewide purchasing process, but has nine “basic bus” models to choose from. The state seeks bids on these models and averages the bids to determine the upper limit the state will reimburse school districts. The intent of this process is to limit the state’s costs, while at the same time allowing districts to purchase buses that are above the low bid. Additionally, this process helps districts obtain the most suitable buses and allows bus purchasing from more than one vendor. Last year, Wyoming school districts purchased 163 buses.

If Idaho lawmakers wish to pursue a statewide bidding process, they may consider reviewing Wyoming’s process in more detail. Wyoming's process appears to obtain the benefits of a statewide process without experiencing potential negative consequences, and is appealing because the state has similar characteristics to Idaho, such as high altitudes, plains, and extremes in weather and temperature.

Cooperative Bus Purchasing Is Not New to Idaho

During our visits to districts, we learned of a five-district cooperative bus purchasing effort in northern Idaho that was in place for a few years and then disbanded. The purpose of the cooperative was to achieve a discount for buying a larger number of buses as a group.

Transportation supervisors from three of the five districts participating in the cooperative said they disbanded the cooperative because the limited savings was not worth the additional time and effort each had invested to develop the joint bus specifications. Participants reported that even though they were in the same region, each district had unique requirements making it difficult to find one type of bus to meet all their needs. The department may want to consider the difficulties these districts experienced in developing combined bus specifications as it develops the list of reimbursable basic bus options. A purchasing program similar to Wyoming’s model would allow districts to better meet their needs.

Recommendation

- 7.1 To optimize the use of school buses in the district fleet and to know when a bus needs to be replaced, eliminated, or added to the fleet, the State Department of Education should develop a model bus replacement plan that is based on mileage, age, and use criteria.

Appendices

Appendix A

FY2002 District Costs

	Total Reimbursable Costs	Reimbursed at 85 Percent	Cost Per Mile ^a	Cost Per Rider ^a	Average Daily Ridership	Enrollment
Statewide	\$65,986,097	\$56,088,182	\$2.55	\$ 588	111,616	246,415
Aberdeen	284,390	241,732	2.02	629	452	934
American Falls Joint	635,594	540,255	1.89	1,145	555	1,648
Anser Charter School	3,387	2,879	2.14	0 ^b	0	111
Arbon Elementary	44,936	38,196	1.54	1,728	26 ^c	14
Avery	107,030	90,976	1.82	2,110	50 ^c	26
Basin	229,055	194,697	1.92	670	342	459
Bear Lake	491,169	417,494	1.63	762	637	1,501
Blackfoot	1,122,161	953,837	2.34	449	2,500	4,197
Blaine County	998,128	848,409	2.55	859	1,143	3,053
Bliss Joint	52,593	44,704	1.66	501	105	174
Boise Independent	6,453,243	5,485,257	3.50	1,046	6,163	26,667
Bonneville Joint	1,828,229	1,553,995	2.78	524	3,487	7,568
Boundary County	656,780	558,263	1.92	633	1,020	1,633
Bruneau-Grand View Joint	238,347	202,595	1.55	659	317	526
Buhl Joint	405,089	344,326	3.06	953	423	1,384
Butte County	285,859	242,980	2.41	833	343	535
Caldwell	1,663,315	1,413,818	3.50	550	3,022	5,665
Camas County	67,187	57,109	1.59	738	91	163
Cambridge Joint	105,955	90,062	1.87	1,172	88	193
Cascade	58,486	49,713	1.73	608	91	347
Cassia County Joint	1,217,932	1,035,242	2.21	512	2,371	5,104
Castleford	153,148	130,176	2.51	651	230	337
Challis Joint	305,817	259,944	1.82	1,073	283	558
Clark County Joint	132,398	112,538	1.86	2,156	61	229
Coeur d'Alene	1,491,820	1,268,047	2.43	542	2,730	9,326
Cottonwood Joint	204,530	173,851	2.11	682	299	496
Council	92,479	78,607	2.45	1,205	71	333
Culdesac Joint	71,449	60,732	2.19	882	81	213
Dietrich	45,897	39,012	1.24	715	64	198

Continued on next page

Appendix A—continued

	Total Reimbursable Costs	Reimbursed at 85 Percent	Cost Per Mile ^a	Cost Per Rider ^a	Average Daily Ridership	Enrollment
Emmett Joint	\$ 825,409	\$ 701,598	\$2.54	\$ 382	2,142	2,980
Filer	454,903	386,668	2.30	743	612	1,319
Firth	233,659	198,610	2.25	551	424	922
Fremont County Joint	599,730	509,771	1.98	537	1,104	2,363
Fruitland	250,118	212,600	2.75	387	646	1,502
Garden Valley	224,903	191,168	3.70	1,496	141	320
Genesee Joint	122,620	104,227	2.16	868	139	341
Glenns Ferry Joint	211,388	179,680	2.22	584	355	605
Gooding Joint	399,563	339,629	2.98	797	498	1,262
Grace Joint	267,211	227,129	2.38	822	325	547
Grangeville Joint	663,355	563,852	2.20	1,070	575	1,561
Hagerman Joint	99,168	84,293	2.28	536	185	386
Hansen	97,339	82,738	1.58	721	135	389
Highland Joint	167,653	142,505	2.00	1,293	129	237
Homedale Joint	327,012	277,960	2.59	589	555	1,284
Horseshoe Bend	140,087	119,074	3.47	737	189	318
Idaho Falls	2,698,964	2,294,119	3.75	901	2,994	10,648
Jefferson County Joint	1,228,858	1,044,529	1.96	452	2,720	3,965
Jerome Joint	649,007	551,656	2.39	559	1,161	3,087
Kamiah Joint	166,770	141,755	2.68	753	220	585
Kellogg Joint	649,797	552,327	2.47	771	840	1,411
Kendrick Joint	136,972	116,426	1.91	745	179	343
Kimberly	208,847	177,520	2.59	471	443	1,281
Kootenai	182,267	154,927	2.21	631	288	288
Kuna Joint	804,645	683,948	2.32	543	1,470	3,141
Lake Pend Oreille	1,397,780	1,188,113	2.32	814	1,711	4,108
Lakeland Joint	1,034,942	879,701	2.16	591	1,747	4,168
Lapwai	185,637	157,791	2.55	835	222	535
Lewiston Independent	890,877	757,245	2.73	696	1,278	5,048
Mackay Joint	170,104	144,588	1.82	1,050	162	258
Madison	1,023,712	870,155	2.54	291	3,511	4,016
Marsh Valley Joint	383,656	326,108	1.90	340	1,098	1,471
Marsing Joint	285,070	242,310	2.67	679	420	759
McCall-Donnelly Joint	587,229	499,145	3.03	954	614	986
Meadows Valley	71,921	61,133	3.24	1,836	39	179
Melba Joint	254,513	216,336	2.60	671	375	713
Meridian Joint	6,874,595	5,843,406	2.70	589	11,676	25,226

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Appendix A—continued

	<u>Total</u> Reimbursable <u>Costs</u>	<u>Reimbursed</u> <u>at 85 Percent</u>	<u>Cost</u> <u>Per</u> <u>Mile^a</u>	<u>Cost</u> <u>Per</u> <u>Rider^a</u>	<u>Average</u> <u>Daily</u> <u>Ridership</u>	<u>Enrollment</u>
Middleton	\$ 626,720	\$ 532,712	\$2.33	\$ 456	1,375	2,285
Midvale	69,769	59,304	1.67	747	92	128
Minidoka County Joint	1,363,256	1,158,768	2.09	455	2,996	4,369
Moscow	551,811	469,039	3.36	559	988	2,554
Mountain Home	1,222,478	1,039,106	3.25	565	2,120	4,561
Mullan	23,823	20,250	1.91	1,254	19	158
Murtaugh Joint	64,084	54,471	1.40	464	138	233
Nampa	2,694,261	2,290,122	3.32	343	7,855	11,848
Nampa Charter	127,865	108,685	3.17	465	275	267
New Plymouth	208,956	177,613	2.73	571	366	950
Nez Perce Joint	88,885	75,552	1.47	1,457	61	207
North Gem	106,749	90,737	2.11	682	156	194
Notus	136,873	116,342	1.94	720	190	334
Oneida County	235,240	199,954	1.65	478	487	940
Orofino Joint	590,941	502,300	2.42	877	667	1,419
Parma	318,240	270,504	2.21	589	540	1,054
Payette Joint	271,312	230,615	2.65	327	819	1,923
Pleasant Valley Elementary	7,409	6,298	1.00	0 ^b	0	19
Plummer/Worley Joint	303,671	258,120	2.15	912	331	529
Pocatello	2,483,154	2,110,681	2.96	556	4,452	12,370
Post Falls	970,238	824,702	3.35	450	2,154	4,629
Potlatch	213,212	181,230	2.07	528	404	585
Prairie Elementary	12,510	10,634	0.00 ^b	0 ^b	0	5
Preston Joint	455,155	386,882	2.52	254	1,766	2,393
Richfield	49,252	41,864	1.84	746	66	197
Ririe Joint	149,660	127,211	2.29	404	370	710
Rockland	31,605	26,864	1.39	390	81	156
Salmon	353,844	300,767	2.74	926	382	1,134
Shelley Joint	475,094	403,830	2.63	373	1,273	1,971
Shoshone Joint	127,309	108,213	1.85	409	301	499
Snake River	676,827	575,303	1.60	552	1,226	2,052
Soda Springs Joint	283,627	241,083	2.82	565	451	1,060
South Lemhi	94,501	80,326	1.85	767	114	129
St. Maries Joint	542,718	461,310	2.51	882	612	1,132
Sugar-Salem Joint	319,328	271,429	2.17	467	683	1,305
Swan Valley Elementary	67,704	57,548	1.70	816	83	55

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Appendix A—continued

	<u>Total</u> <u>Reimbursable</u> <u>Costs</u>	<u>Reimbursed</u> <u>at 85 Percent</u>	<u>Cost</u> <u>Per</u> <u>Mile^a</u>	<u>Cost</u> <u>Per</u> <u>Rider^a</u>	<u>Average</u> <u>Daily</u> <u>Ridership</u>	<u>Enrollment</u>
Teton County	\$ 383,658	\$ 326,109	\$1.65	\$ 600	638	1,353
Three Creek Joint Elem.	5,886	5,003	0.00 ^b	0 ^b	0	15
Troy	135,803	115,433	1.54	849	160	317
Twin Falls	949,664	807,214	3.14	651	1,458	6,869
Valley	413,513	351,486	3.04	780	530	653
Vallivue	1,146,274	974,333	2.04	458	2,486	3,888
Wallace	269,829	229,355	2.63	677	397	614
Weiser	292,630	248,736	2.38	311	937	1,640
Wendell	446,080	379,168	4.68	805	554	1,008
West Bonner	560,956	476,813	2.04	792	705	1,515
West Jefferson	293,125	249,156	1.45	523	561	654
West Side Joint	150,017	127,514	2.07	263	570	569
Whitepine Joint	98,450	83,683	1.72	729	135	286
Wilder	105,447	89,630	2.40	469	225	536

^a Calculation of cost per mile and cost per student do not include in-lieu costs.

^b Districts reporting a \$0 cost per rider do not transport students to and from school but may have mileage costs for transporting students on field and/or activity trips. Districts reporting transportation costs at \$0 per rider and \$0 per mile make in-lieu payments to parents to transport students to school.

^c Ridership is higher than enrollment because some students are transported to another district that has a high school.

Source: Office of Performance Evaluations analysis of data from the State Department of Education.

Appendix B

60-Day Inspection Analysis, July and August, 2003

Fifty-one buses from ten school districts were reviewed. Every district reviewed had at least one inspection that exceeded the 60-day inspection requirement.

<u>District</u>	<u>Number of Buses Reviewed</u>	<u>Number of Inspections Reviewed</u>	<u>Number of Inspections Exceeding 60 Days</u>	<u>Compliance Rate</u>
Coeur d'Alene	5	22	8	64%
Twin Falls	5	33	2	94
Meridian Joint	5	26	3	88
American Falls Joint	5	42	24	43
Filer	5	25	1	96
Nampa	5	28	1	96
Payette Joint	6	17	11	35
Garden Valley	5	24	16	33
Idaho Falls	5	32	16	50
Madison	5	26	10	62
TOTALS/RATES	51	275	92	67

Source: Office of Performance Evaluations analysis of school district inspection sheets.

Appendix C

Summary of Idaho Cost Containment Approaches

The following are additional cost containment approaches used in the 14 school districts visited. Although these methods may not be appropriate for all school districts, they should be considered when planning cost-effective pupil transportation programs.

Routing

- Studied and adjusted bell times to allow the same bus to do multiple runs, reducing the number of buses, drivers, salaries, and benefits needed
- Combined K-12 students on the same bus to reduce the number of buses needed
- Consolidated bus stops to decrease the time needed to run a route, allowing double or triple runs with the same bus
- Reduced in-lieu payments by making accommodations on regular buses
- Reevaluated safety busing zones, resulting in fewer students riding buses
- Added crossing-guards to eliminate the need for two buses
- Increased target occupancy to 80 percent for all grades
- Interfaced routing software with the State Accreditation and School Improvement (SASI) database to reduce routes
- Incorporated routing software into the city geographic information system (GIS) for up-to-date information for routing in areas of rapid growth

Staffing, Salaries, and Benefits

- Reduced the number of bus drivers by consolidating/eliminating routes
- Reduced the number of part-time drivers, reducing benefits paid
- Reduced the number bus aides
- Rotated field trips among substitute drivers to reduce overtime and drivers who qualify for benefits
- Reduced non-driver staff
- Limited benefits to full-time drivers only
- Hired sufficient office staff to allow the transportation director to also drive a bus or do maintenance work when needed
- When practical, did not allow drivers to wait at activity or athletic event while “on the clock”

Maintenance, Repair, and Materials

- Trained bus maintenance staff to do more complex repairs in-house
- Purchased all buses from the same manufacturer to minimize multiple types of spare parts
- Requested bids for over 200 routine bus parts available from multiple sources
- Purchased oil and lubricants in bulk
- Used synthetic oil
- Requested bids for fuel

Continued on next page

Appendix C—continued

Activity and Field Trips

- Eliminated chartering for athletic events
- Reduced the number of athletic games, field trips, and activity trips
- Placed limits on total annual miles driven
- Reduced the dollar amounts available for activity trips by 5 percent
- Limited the number of spare buses by chartering buses when needed
- Increased the charge for student activity and sports cards

Bus Purchases

- Delayed purchasing new buses for one year
- Reduced the number of options on buses purchased
- Replaced smaller capacity buses with larger capacity buses for more flexibility to combine routes and use for field trips (operation costs are similar)
- Purchased bus specifications based on the length of the depreciation schedule (12 years or 125,000 miles) eliminating money spent on over-specifying the buses

Other Approaches

- Conducted a formal analysis of contract versus district-operated costs
- Formed a committee to examine the pupil transportation program
- Reduced shuttles between schools for special programs by bringing the instructors to the students

Source: Office of Performance Evaluations interviews of school district personnel.

Appendix D

Percent Occupancy of Bus Routes

The number of students that ride a bus route is directly influenced by a number of factors including safety, acceptable ride time, location of students, the number and location of schools and bus stops, and school start and end times. By reviewing and considering these factors, school districts can optimize the number of students riding a bus route or specific run, and reduce the number of required buses. The first step is to review the number of students who ride the bus compared to the bus seating capacity (bus occupancy) for each bus. Based on this review, districts can begin to look at reasons why some bus routes and runs have low percent occupancies and determine acceptable remedies if possible.

We reviewed Boise's and Meridian's percent occupancies for their morning regular bus runs and found over half of the runs were operating below 50 percent capacity.

Note: A bus run is a specific segment of a daily route, such as picking up elementary students between 7:30 a.m. and 8:25 a.m., and delivering them to one or more schools. The bus can then continue to make additional secondary or kindergarten runs and repeat these in the afternoon to complete the entire daily route.

Meridian Occupancy of Daily Bus Runs, September–October 2003

<u>Percent of Bus Occupied</u>	<u>Elementary A.M. Runs</u>	<u>Middle School A.M. Runs</u>	<u>High School A.M. Runs</u>
100%	1	0	0
90–99	2	1	0
80–89	4	2	1
70–79	17	4	1
60–69	21	21	8
50–59	20	24	8
40–49	24	32	12
30–39	12	25	12
20–29	8	4	7
10–19	6	4	9
0–9	<u>1</u>	<u>0</u>	<u>0</u>
TOTAL RUNS	116	117	58

Continued on next page

*Appendix D—continued***Boise Occupancy of Daily Bus Runs, FY2003**

<u>Percent of Bus Occupied</u>	<u>Elementary A.M. Runs</u>	<u>Secondary A.M. Runs</u>
100%	0	0
90–99	1	0
80–89	6	0
70–79	7	7
60–69	10	18
50–59	17	16
40–49	13	18
30–39	10	13
20–29	9	7
10–19	4	9
0–9	<u>1</u>	<u>11</u>
TOTAL RUNS	78	99

Source: Office of Performance Evaluations analysis of data from the State Department of Education, the Boise School District, and the Meridian School District.

Appendix E

Other States' Best Practices for Pupil Transportation

Florida's legislative Office of Public Policy and Government Accountability (OPPAGA) and Texas' Comptroller of Public Accounts have developed best practices and audit protocols for assessing school district transportation operations. Some of those best practices could be applied to Idaho school districts. For example:

- Coordinate long-term planning and budgeting for pupil transportation within the context of community planning, which could include growth patterns, residential construction, sidewalk construction, and other community developments.
- Provide regular, accurate, and timely data to the state department of education.
- Plan, review, and establish bus routes and stops to provide economical transportation services for all students who qualify.
- Have a process to ensure that sufficient buses are acquired economically to meet the district's needs. The process could include policies on age, mileage, frequency of use, and comparing maintenance costs to the need and value of the vehicle.
- Regularly review and analyze expenditures in relation to the budget. This includes multi-year trend analysis to identify excessive costs or data errors.
- Have an accountability system for transportation, which regularly tracks and makes public reports of its performance on such measures as percent bus occupancy, average ride time, maintenance costs, and numbers of buses and routes.
- Determine if privatizing transportation functions (as a whole or in part) would be more economical. This includes a formal analysis that identifies the direct, indirect, and overhead costs to arrive at a total contract cost. The following formulas may assist with this task.

 **Formula to assist school districts to identify costs of operating their own transportation fleet:**

$$\text{Total District-Operated Costs} = \text{District Direct Costs} + \text{District Indirect Costs}$$

Where:

- ✧ Direct costs include salaries and wages (including overtime pay), fringe benefits and allowances, supplies and materials, rent, telecommunications, utilities, equipment maintenance and repair, and the depreciation of assets.
- ✧ Indirect costs include appropriate percentages of costs for items such as district central support activities, personnel and legal services, and equipment. This includes the percentage of costs for a department director or fiscal officer with direct oversight of the staff performing the function.

Continued on next page

Appendix E—continued

 **Formula to assist districts to identify costs of contracting for transportation services:**

Total Cost to Contract = Contractor Cost + Contract Administration Cost + One-Time Conversion Costs + Unavoidable District Costs + Loss on Assets - Gain on Assets

Where:

- ✧ Contractor costs include the designated rates either by route, mile, or hour for transporting students to and from school and for other activities.
- ✧ Contract administration costs are those expenses required to issue a request for proposal, review bids, and negotiate a contract. This includes costs of personnel to implement, monitor, and evaluate the contract, as well as facility and equipment charges, and maintenance.
- ✧ Unavoidable costs of overseeing contracts and bookkeeping.
- ✧ The gain or loss on assets includes consideration of costs associated with items such as building space or equipment that become unnecessary after a contract has been awarded.

Source: Office of Performance Evaluations review of Florida and Texas practices as outlined on the following websites: www.oppaga.state.fl.us/school_districts/bestprac/practices/practices.html and www.window.state.tx.us/tspr/protoco/transport.html.

Responses to the Evaluation

The response from the State Department of Education lists recommendations as written from an earlier draft of the report. Although the recommendations did not change, some wording changes in the final report were made for clarity.



DIRK KEMPTHORNE
GOVERNOR

January 8, 2004

Mr. Rakesh Mohan, Director
Office of Performance Evaluations
STATEHOUSE MAIL
Boise, Idaho 83720-0055

Dear Rakesh:

I appreciate the opportunity to comment on your evaluation of pupil transportation fiscal accountability. The cost of pupil transportation is a significant cost to both the State of Idaho and to local school districts. Any efficiencies that may be gained in this area will undoubtedly improve our ability to get more dollars into the classroom to aid our children.

The common theme among many of your recommendations is the need for improved oversight of district transportation functions. I agree that additional guidance from the State Board of Education and the State Department of Education is needed to assist local districts in improving transportation efficiencies.

I especially appreciate the recommendation to focus more thorough audits on those districts that are above the statewide average for transportation costs. Further examination of the cause of transportation disparities in those districts should provide the largest return on our oversight investment.

I would like to commend your office on the thorough review of fiscal accountability in pupil transportation. Your insightful recommendations should help guide changes that will significantly improve program efficiencies and enhance the ability of local districts to safely transport students at the most reasonable cost.

Sincerely,

A handwritten signature in black ink, appearing to read "Brian Whitlock".

Brian Whitlock
Chief of Staff



IDAHO STATE BOARD OF EDUCATION

650 W. State Street • P.O. Box 83720 • Boise, ID 83720-0037
208/334-2270 • FAX: 208/334-2632
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January 9, 2004

Rakesh Mohan, Director
Office of Performance Evaluations
Joe R. Williams Building
Lower Level, Suite 10
Boise, ID 83720-0055
Statehouse Mail

Dear Mr. Mohan:

On behalf of the State Board of Education, I would like to thank you and your staff for the courteous and thorough manner in which you approached your review of Idaho's school districts' expenditures for pupil transportation. A copy of this report will be provided to all Board members for their review and development of a plan for addressing the recommendations made in your report.

Thank you for the opportunity to participate in this study.

Sincerely,

A handwritten signature in black ink, appearing to read "Gary W. Stivers", written over a horizontal line.

Gary W. Stivers
Executive Director

GWS/bh



DEPARTMENT OF EDUCATION

P.O. BOX 83720
BOISE, IDAHO 83720-0027

DR. MARILYN HOWARD
STATE SUPERINTENDENT
PUBLIC INSTRUCTION

January 9, 2004

Rakesh Mohan, Director
Office of Performance Evaluations
Idaho State Legislature
Statehouse

Dear Mr. Mohan,

We have reviewed the draft of the report from your office on public school transportation. Thank you for addressing the suggestions previously sent by staff from the Idaho State Department of Education (SDE).

The following are the Department's responses to the recommendations given in the executive section of the report. Numbers in parentheses refer to the number of the recommendation in the appropriate chapter of the report. The recommendation from your office is followed by the SDE's response.

1. "To improve the accountability of pupil transportation funds, the State Board of Education should clarify the State Department of Education's oversight role and responsibilities for conducting in-depth program reviews, follow-up procedures, and financial reviews of school district pupil transportation activities."

(2.1) Although this recommendation is directed to the State Board of Education, SDE concurs and is willing to work closely with State Board of Education staff in clarifying department oversight responsibilities for conducting in-depth program reviews, follow-up procedures and financial reviews of school district pupil transportation activities. The department also recognizes that this process may trigger rulemaking and will work cooperatively with the State Board of Education in drafting language prerequisite to rulemaking designed to clarify department oversight responsibilities for conducting in-depth program reviews, follow-up procedures and financial reviews of school district pupil transportation activities. The fruition of this recommendation may be contingent upon analyzing pupil transportation staffing in the pupil transportation section of the Department in order to determine practicable implementation of this recommendation secondary to existing budget constraints.

For example, the State Board of Education approved new rules related to pupil transportation on November 15, 2001, which include the following:

- Leadership in the development of a comprehensive pupil transportation program for statewide application.
- A state supervisor of pupil transportation with the staff and other resources necessary for optimal job performance.
- A comprehensive school bus operator and school bus technician training program.
- Visits to local districts to audit, inspect and evaluate transportation systems and provide direction as necessary.
- Managing the state’s pupil transportation program to include planning, budgeting, and forecasting requirements for the operation.
- Collecting and analyzing statistical and financial data.
- Developing, preparing and organizing manuals, handbooks and written training programs for pupil transportation personnel.
- Providing consulting services and assistance to local districts as necessary.

Nevertheless, accomplishments of the above duties will require additional staffing in the pupil transportation section. Therefore, revisiting this issue, as it relates to staffing or reducing/increasing responsibilities may be necessary.

2. “To provide effective oversight of school district pupil transportation activities, the State Department of Education should:
 - a) increase the frequency of its in-depth program and financial reviews
 - b) expand the scope of its on-site spot inspections to include review of reimbursement claim documentation
 - c) require school districts to submit and adhere to corrective action plans
 - d) prioritize its schedule to address those districts that are subject to the transportation funding cap (also see Chapter 5)”

(2.2) The State Department of Education concurs with the OPE recommendation.

- a) SDE has long recognized the need to increase the frequency of in-depth program and financial reviews of district pupil transportation programs. Accomplishing meaningful rotation cycles of in-depth program and financial reviews will require increased staffing within the pupil transportation section. SDE has initiated efforts in streamlining staff responsibilities in order to expand the scope of on-site spot inspections to include review of reimbursement claim documentation, safety busing documentation, accuracy of ridership counting practices and school district policy implementation.

The OPE report provides an accurate depiction of current levels of desk audit responsibilities and current frequency of district spot inspections, new school bus inspections and in-depth district program and financial reviews. OPE's observations related to staffing and mandated limited responsibilities of the pupil transportation section clearly points out that a more in-depth analysis of the overall pupil transportation program as it relates to job expectations and staffing is in need of review.

- b) SDE pupil transportation staff continues to look for opportunities to more effectively utilize current staff in order to increase the effectiveness of in-depth program and financial reviews; however, increased frequency of reviews as well as effective and meaningful in-depth program and financial reviews will require increased staffing within the pupil transportation section. SDE will continue to explore opportunities for increasing staff and will continue to solicit legislative support for increased staffing. The pupil transportation section has used staffing opportunities to more effectively use existing staff to expand the spot inspection process; this expanded process is in its infancy and increased training of staff needs to take place before more meaningful results of spot inspections are realized.
 - c) SDE believes that meaningful and in-depth program and financial reviews should include an element of compliance. Requiring school districts to submit and adhere to corrective action plans has merit and will work with the State Board of Education to develop rule necessary to define enforcement authority. Inherent compliance currently exists in many areas of the agency's oversight. For example, school districts are required to submit to the department documentation of deficiency repair on school buses found to be out-of-compliance during spot inspections. More meaningful compliance reports seem reasonable but may require a reallocation of job responsibilities in order to adequately evaluate district corrective action plans in the absence of adequate staffing.
 - d) SDE concurs with the recommendation and believes school districts that operate above the legislative funding cap should receive supportive auditing designed to explore ways that districts might accomplish improved efficiencies without compromising student safety or eliminating academic programs. However, given the current frequency of financial audits conducted, increasing the frequency or number of financial audits may be unrealistic at current staffing levels.
3. "To ensure that adequate resources are available for effective oversight, the State Department of Education should submit a detailed plan to the Legislature outlining resource needs for specific activities, number of proposed inspections, and expected results."

(2.3) SDE concurs with this recommendation and has begun the process. Pupil transportation staff expressed concerns during the 2003 legislative session related to inadequate staffing. Pupil transportation is preparing specific staffing needs and

related funding based on specific inspection and financial reviews expectations and the anticipated results subsequent to increased staffing. The department will present its staffing plan during the 2004 legislative session, assuming the department is given that opportunity.

Appropriately responding to this recommendation in the long term is contingent upon clarifying legislative and State Board of Education expectations related to spot inspections and financial reviews.

4. "To reflect the substitution of 100 used buses for new ones in the contract cost, the Independent School District of Boise City should renegotiate its existing pupil transportation contract with Laidlaw Educational Services. A successful outcome of the renegotiation should result in lowering the cost of the current contract. Should negotiations fail, the school district should not provide an automatic two-year extension to the current contract when it expires in June 2006; instead, the contract should be reopened to bidding."

(3.1) This recommendation is directed to the Boise School District and SDE believes that the OPE task force should provide the Boise School District an opportunity to respond directly.

5. "To encourage school districts to implement more cost containment measures, the State Department of Education should:
 - a) place reimbursement trend analysis information on the department's website
 - b) modify its bus run report to include percent occupancy of each bus run
 - c) work with the Pupil Transportation Steering Committee to develop best practices tailored to Idaho's pupil transportation needs
 - d) request assistance from the Idaho Department of Health and Welfare for training school districts in the use of Medicaid funding to offset some of the transportation costs for special needs students
 - e) Reinforce the requirement for districts to report any special needs transportation Medicaid reimbursements they receive"

(3.2) SDE concurs with this OPE recommendation with the following clarifications.

- a) SDE pupil transportation staff currently has the capability to do cost trends and has explored ways to post this information upon its website; however, this has been problematic. SDE will renew its efforts in finding a mechanism for posting cost trend analyses on its website. The fruition of this recommendation may be contingent upon adequate staffing related to providing ever increasing information and the related maintenance requirements of posting increased and changing information on the web.
- b) SDE concurs with this recommendation and although the newly required "run report" is in its early stages of completion, adding a percent occupancy of each

bus run can be accomplished with little effort. In fact, SDE pupil transportation staff has submitted a database programming request to include this option in its “run reports.” However, while this calculation is significant and important for comparison purposes, it should not be used absent other meaningful comparisons, which may justify light bus occupancy ratings, i.e., rural routes with sparsity of students or length of routes (mileage).

It should also be noted that the creation of the “run report” was in response to ever increasing inquiries and a sense that additional data was necessary for assessments of efficiencies at the local level. The run report is another example of how the pupil transportation section responded to anticipated needs without receiving direct mandates to collect such data. The process was accomplished through the rulemaking process and included the following increased requirements to school districts:

- Accurate mileage records shall be kept for reimbursable and non-reimbursable programs so eligible and non-eligible miles can be accurately determined.
 - Each school district that operates a school transportation system will maintain accurate records of operations including runs, run mileage, categorized bus mileage, student rider counts and other related costs on uniform record-keeping forms provided by the Department of Education.
 - The district will maintain accurate records of all bus routes and runs, including rider counts, mileage and other related operation and vehicle maintenance costs (33-1006, Idaho Code).
 - Annual ridership shall be calculated by taking rider counts a minimum of once per academic term and subsequently averaged.
 - The district shall maintain accurate records of all trips in all school buses and non-conforming vehicles used in the transportation of students, including the purposes of the trip, mileage and operation and vehicle maintenance costs.
- c) SDE pupil transportation staff concurs with this recommendation and appreciates the efforts of OPE staff in initiating and exploring “best practices” in pupil transportation operations. This topic will be discussed with the Pupil Transportation Steering Committee at its next scheduled meeting in March. It is anticipated that “best practices” for Idaho’s pupil transportation program will be posted on the section’s website.

SDE pupil transportation staff believes it has continually trained district personnel in “best practices” over the course of several years. However, a more specific “best practice” resource can be made available, and should be. The timeline for completion of this resource is currently uncertain and is subject to other demands placed upon department staff, such as a field trip reimbursement flow chart, desk auditing, etc. This recommendation is also subject to the scrutiny of the staff responsibility clarification process recommended above.

- d) SDE concurs with this recommendation and has initiated early communications with the Department of Health and Welfare Medicaid personnel towards this end. Idaho Medicaid staff has indicated a willingness to provide this service. SDE appreciates the OPE observations cited in this report and expects to explore mechanisms for reconciling Medicaid revenues received by school districts to the pupil transportation reimbursement claim.
 - e) SDE concurs with this recommendation and will explore ways of ensuring district compliance with this requirement; however, SDE believes further exploration of this requirement may be necessary to determine cost-to-benefit ratios.
6. “To ensure the information necessary for determining district reimbursable cost for pupil transportation (e.g., average daily ridership) is reported accurately and uniformly across the state, the State Department of Education should establish in administrative rule a standard method for districts to count and report average ridership, such as once each month on the same day.”

(5.1) Accuracy of ridership counts prior to the “legislative funding cap” was not as high a priority as accuracy of mileage reporting because of the reimbursement formula that existed prior to the cap. Subsequent to the “legislative funding cap,” ridership has become significantly more important and increasing count frequencies and perhaps modifying how the counts are taken and used in Idaho’s calculations related to the funding cap have become much more meaningful. SDE fully intends to work with the State Board of Education and legislative leaders in clarifying this process with an eye toward equity and accountability.

Efforts of the department cited under recommendation 5 (3.2) above validate the department’s interest in increased accuracy.

7. “To improve the oversight of district pupil transportation contracts, the State Board of Education should:
- a) require all school districts to use a contract format approved by the State Department of Education
 - b) clarify the State Department of Education’s role in approving school district contracts, including the timeliness of the review
 - c) develop guidelines for school districts to follow when reviewing for pupil transportation bids”

(6.1) Although this recommendation is directed to the State Board of Education, SDE concurs with the three parts of this recommendation (a, b and c) and will explore ways of improving its current approval process in concert with the State Board of Education and legal staff. Strengthening the process may require rulemaking and the department’s deputy attorney general and pupil transportation staff will work cooperatively with the State Board of Education in reviewing this process with an eye towards understanding the legalities of the process and necessary staff hours required

in the implementation of increased oversight of district pupil transportation contracts and district bidding processes.

The department will reevaluate its current model contract and its definition of form and format, the process currently in place for reviewing the contract and explore guidelines and best practices for bid analysis subsequent to bid openings, but the timeline for completing this project is uncertain and input from all stakeholders may be appropriate and the process may trigger rulemaking. It may also be wise to seek legal counsel related to this recommendation.

8. “To help districts develop request-for-proposal specifications that promote competitive bidding, the State Board of Education should obtain an Attorney General’s opinion on whether information about bus routes are proprietary.”

(6.2) Although this recommendation is directed to the State Board of Education, SDE concurs with the recommendation and will work cooperatively with the State Board of Education in requesting an Attorney General’s Opinion. SDE would also welcome an Attorney General’s Opinion providing guidance of what is proprietary and what is not proprietary. Enhancement of this opinion may also trigger rulemaking.

9. “To optimize the use of school buses in the district fleet and to know when a bus needs to be replaced, eliminated, or added to a fleet, the State Department of Education should develop a model bus replacement plan that is based on mileage, age, and use criteria.”

(7.1) SDE concurs with this recommendation and appreciates OPE’s observations related to this issue. SDE pupil transportation staff will embark on this project and recognizes the value of such a model for use by school districts. SDE pupil transportation has provided routine guidance in the past for school bus replacement and life-cost cycling. However, expanded criteria to assist school districts in appropriate evaluation of all the variables in the equation of bus replacement schedules is appropriate; however, the completion timeline of this project is also subject to performance expectations and adequate staffing levels necessary to accomplish the anticipated expectations of the pupil transportation section.

Thank you for the painstaking job of gathering and reporting on complicated information, and for this opportunity to respond.

Sincerely,



Marilyn Howard, Ed.D.
State Superintendent

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