



## New York School Bus Contractors Association

### Panel Testimony for Governor Cuomo's New NY Education Reform Commission

*Putting tax dollars back into the classroom by providing  
our schools greater incentives to utilize private student  
transportation services and tax reform.*

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**Phil Vallone, President**  
New York School Bus Contractors Association

**Good morning/afternoon.** My name is Phil Vallone; I am the President of the New York School Bus Contractors Association and owner of Rolling V Transportation services located in Fallsburg, NY.

I am here today representing the New York School Bus Contractors Association; an organization of over 200 private pupil transportation companies or “contractors” providing safe, reliable and cost-effective school transportation services for nearly 1.3 million of the 2.3 million children riding yellow buses each day New York State.

Thank you for allowing us to participate in the Governor’s effort to improve New York’s education system. The private school bus contractor community fully supports the Governor’s effort to make smart improvements to our education system.

Today, we will present two concrete and actionable solutions that will immediately help reduce the cost of student transportation in New York. These two solutions will allow the state and our school districts to put that savings where it belongs -- back into the classroom.

The great thing about our solutions is that they will help the Governor meet his goals of improving our education system, reducing costs, all while putting the needs of our students first and respecting the taxpayer. Each solution also has corresponding legislation that has been introduced by the legislature in one form or another over the last two legislative sessions.

The symbiotic relationship between a majority of New York’s schools and private school bus contractors is one of the most successful examples of our government and the private sector working together. It is a true public-private partnership.

With contractors providing over half of the school transportation services in New York, those schools which utilize contractors are allowed to reduce costs by millions of dollars and focus on their mission – educating children. This leaves contractors to focus on safely transporting them. This relationship has worked well for so many years because it is based on three simple principles...child safety, customer satisfaction and savings.

School bus contractors are a proven cost-savings solution for many school districts across the state. New York school bus operators currently help reduce pupil transportation costs in New York by an estimated \$200 million dollars every year. Our members typically reduce the average school district’s transportation costs by 20%.

These facts have been widely documented. A report issued by the Council of Great City Schools, which is a group comprising 66 of the nation’s largest urban public schools, released a multiyear study that highlighted best practices in pupil transportation operations – private school bus operators scored exceptionally well against their public school counterparts. The report stated private operators provided unparalleled bus services for far less money than school districts.

We are not saying that a private school bus operator is always the best solution; in some cases it doesn't make sense for a school district to utilize a private operator. However, in most cases school districts just cannot compete with our efficiency models.

We believe the two solutions that we are about to put forth today will help save New York State and our school districts upwards of \$100 million more per year -- money that can be put back into the classroom.

So the \$100 million question is, "How do we do that?"

### **With two simple solutions...**

**One**, incentivize school districts that are not currently utilizing a private school bus contractor to explore the option of contracting with a private school bus operator and **two**, repeal the state and local sales tax on the purchase of school buses, parts, maintenance and fuel for those buses used in the transportation of school children.

We estimate that these two solutions, if fully implemented, will help reduce pupil transportation costs in New York State by approximately \$100 million.

How do we know this to be true?

Simple, there are hundreds of school districts across the state using private school bus operators saving millions of dollars each year.

Let me share one quick example of the cost-effectiveness of private school bus operators. In 2005, the Manhasset School District on Long Island converted from a district-owned operation to a private-run operation. Because of this conversion, the school district is now saving over one million dollars a year in school transportation costs – money that can be used in the classroom.

The question for policy makers is, "How do you incentivize the rest of our state's school districts to explore the use of cost-effective private school bus operators?" Again, it is simple; create a policy that allows those school districts who are not currently utilizing a private contractor to keep the savings that are generated by the use of private contractor.

The intent of this initiative is to incentivize school districts to explore and ultimately use private pupil transportation operators for the purpose of saving state and local transportation dollars that school districts will essentially retain and then reinvest back into the classroom. **This will be an option, not a mandate.** It would be phased out for each school district based on the initial term of the contract and will not exceed five years in any given situation.

This initiative would **limit the incentive** to the length of the term of the first contract not to exceed five years. Under the proposal, the state could freeze transportation aid and see an

immediate savings in the following years. After five years or the expiration of the first term of the contract, the state would reimburse the school for the actual transportation expense and see significant savings in future years. Some concerns revolve around the reduction of the school workforce; however, contractors typically hire district school bus drivers during a school district conversion.

If realistically implemented, this proposal could put an estimated \$90 mil/year back into the classroom.

Under the State Senate's one-house 2012-2013 budget bill, which incorporated our proposal, school districts are allowed to **keep the difference** between the amount of their current state transportation aid for allowable pupil transportation expenses and the amount the district would pay for hiring a private pupil transportation contractor for the length of the first term of the contract.

The fiscal impact to the State of New York during the first year would be, at worst, **budget neutral**. In year two there will be an **immediate savings** if the state freezes the school district's transportation aid for pupil transportation – based on the prior year. Longer-term, the state/school district will see **significant savings** as a result of the school district choosing to use a private pupil transportation contractor/operator.

It is expected that school districts would calculate their true/actual cost of providing district operated transportation services including, but not limited to, retirement and benefit costs.

The school district would then issue a request for proposal for the purpose of contracting the school district's pupil transportation services or utilize an existing contract in cases where the school district currently utilizes a contractor for a portion of their transportation. The district would then award the contract to a qualified pupil transportation contractor in order to qualify for the retention of the amount of state aid that would result from the savings provided by hiring a private pupil transportation contractor.

The **state could freeze its transportation school aid based on the last year the school district provided district-run transportation services** and calculate additional school aid for that school district to reflect the annual savings. After the first term of the contract, typically no more than five years, the state would appropriately reduce the school's aid. For school **districts whose fleets are not fully privatized**, they would only receive school aid for the difference of the cost savings they realize on the portion of their fleet that is not currently run by a contractor.

**The issue of stranded costs** is addressed by allowing school districts to sell and or lease assets directly related to pupil transportation services and keep the proceeds and any amortized transportation aid would be kept as well.

Incentivizing school districts to at least explore the idea of utilizing a private school bus contractor is a smart approach to bringing cost-effective solutions to our public schools. It

would not be a mandate; only a legal option for school districts to use. The proposal is a win-win for everyone involved. Students and parents will continue to have safe and reliable school bus services. Taxpayers will benefit by reducing transportation costs and school districts will benefit by having more money to put into the classroom.

The second solution that we would like to put forth today is the repeal of the sales tax on school buses, parts, maintenance, and fuel used to transport school children.

This solution will help save upwards of \$12 million annually. The unfortunate reality is that school districts currently pay, as a portion of their contract with private school bus contractors, costs associated with the state and local sales tax. New York State and our schools should not be paying a state and local sales tax – directly or indirectly.

Things used in our classrooms are exempt from the sales tax, so too should things used to get our children to the classroom. We think it is time to repeal the sales tax on school buses, parts, maintenance, and fuel used to transport school children.

As I conclude with my remarks, we all know that every dollar in savings counts...Let's incentivize our school districts to utilize private school bus operators and repeal sales tax on school buses so that schools can put the savings back into the classroom and focus on their mission – educating children.

**Thank you and we look forward to working with the Governor and his staff to accomplish his goal of improving our education system and reducing unnecessary costs.**