

PORTLAND SCHOOL TRANSPORTATION CONTRACTING: OPPORTUNITIES FOR COMPETITION

Clement H. Lausberg

EXECUTIVE SUMMARY

This study examines the potential benefits of competitive contracting in Oregon's public school districts. It specifically evaluates the student transportation system of the Portland Public School District, and identifies possible areas of improvement.

Though the Portland School District already has 70% of its operation contracted, it must explore ways to encourage more bidders. The district may divide the contract so more competition occurs, remove barriers to innovation or alternative delivery options, or include performance incentives for cost effective approaches. It must also assure a level playing field is applied in comparing public and private contractor costs. A recent private performance audit of per-student transit costs understated administrative overhead and district depreciation costs for vehicles and facilities, though it included such items in the private contractor costs of Laidlaw Transit Inc.

Special education accounts for 50% of total student busing costs in the Portland School District, including \$1 million in cab fares for only 220 students. The author stresses the need for further research in this area.

The study also finds that the current state student transportation formula could encourage overspending. It recommends that the state formula include a higher percent reimbursement for cutting costs, and subsidy reduction for excessive increases. These financial consequences could provide incentives for better management, resulting in overall budget reductions.

Cost savings are possible for other Oregon school districts through competitively bid contracts. The study found the compensation of bus drivers in district programs is typically over 30% higher than in competitively bid operations. The study provides a list of criteria for inclusion in competitively bid contracts for student transportation and other school support services, to assure cost effectiveness.

ABOUT THE AUTHOR

Clem Lausberg is an active participant in debates of Oregon school finance policy issues. Over the past 30 years he has worked in a variety of federal, state and local financial planning positions, and currently serves as an educational consultant to a number of metro-area school districts. He holds a Masters degree in Political Science and a Ph.D. in Education.



Cascade Policy Institute

813 SW Alder • Suite 300 • Portland, Oregon • 97205

(503) 242-0900 • fax 242-3822 • www.CascadePolicy.org • Info@CascadePolicy.org

This proposal was named a winner in the 1998 Oregon *Better Government Competition*, organized by Cascade Policy Institute. Opinions expressed are those of the author and do not necessarily reflect those of Cascade, its staff, or advisors, nor should the contents be construed as an attempt by Cascade Policy Institute to influence any election or legislation.

INTRODUCTION

The Portland School District provides a perfect setting for analyzing the competitive bidding of student transportation. Portland now has a mix of district run transportation, private contractors, Tri-Met vehicles and taxi cabs daily transporting over 12,800 students to and from school.¹ It competitively bid for the bulk of student transportation services prior to the passage of property tax limitation Measure 5 in 1990, and recently signed a five-year contract with Laidlaw Transit Inc. through the year 2002.

The Portland School District faces a budget deficit of \$30 million or more in the 1999-2000 school year. District officials are strongly interested in any possible cost savings in support areas to reduce the deficit, protect the classroom, and convince state policy makers they are managing resources wisely. There are potential cost savings for the Portland School District through an improved and expanded competitive bidding process.

Additionally, the current state funding formula for student transportation lacks incentives for cost effectiveness, contributing to a rapid increase in student transportation costs. District savings can be realized through adjustments in the funding formula that encourage efficiency.

Opportunities for cost savings through competitively bidding student transportation exist not only for Portland, but for other Oregon school districts as well. A bidding process which utilizes a carefully written contract is required to achieve cost effective bidding proposals for student transportation, or other school support areas.

STUDY OBJECTIVES

This student transportation study has the following objectives:

- Document the mix of student transportation funding for Portland Public Schools among public and private providers.
- Identify potential cost savings in Portland School District student transportation, and ways to improve and expand its competitive bidding.
- Develop incentives for cost effectiveness in the current state funding formula for student transportation.
- Examine potential savings for other Oregon school districts through contracting for student transportation services.

- Develop model contract criteria for competitive bidding of school support services in student transportation, or other areas such as food service, custodial services, or buildings and grounds maintenance.

TRANSPORTATION FUNDING IN THE PORTLAND PUBLIC SCHOOLS

The Portland School District budgeted \$13.4 million for student transportation out of a General Fund budget of \$335.5 million in 1997-98.² The annual operation includes:

- Home to school transportation for over 10,500 general education students.
- Transportation for 2,300 special education students, including 220 in taxi cabs.
- Over 3,000 active daily bus stops and 3.9 million miles driven in 1996-97.
- A total of 360 buses, including 25 wheelchair buses and 16 lift buses.
- An average annual cost of \$1,070 for each student transported in 1997-98.

Student Transportation Operations

Nearly 70% of Portland's student transportation is privately contracted. The lion's share of this amount is for home to school busing provided by Laidlaw Transit Inc. The 1997-98 contract included \$4.2 million for the basic transportation of 5,700 general education students, and \$3.8 million for 800 special education students.³ In addition, Laidlaw contracts for nearly \$500,000 of athletic and activity transportation.

In addition to Laidlaw, the district purchases nearly 2,000 Tri-Met passes at an annual cost of \$300,000. Tri-Met partially subsidizes Portland student transportation; passes are provided at a discounted cost of \$29 for a monthly pass (compared to a regular \$39 or \$49 depending on the number of zones traveled). Monthly passes are \$12.50 for disabled students, while a 10-ticket package is \$7.50.⁴

In 1997-98, the district also paid over \$1 million to transport an average 220 students by taxi cab.⁵ Cab service is almost exclusively provided to special education students under the federally mandated Individualized Education Program (IEP). Only two Portland cab companies, Radio Cab and Broadway Cab, now bid for this service.

Public School District Transportation

The balance of the Portland Public Schools transportation budget is operated in-house at an annual cost of approximately \$4 million. The district daily transports 3,700 general education and 400 special education students with its own drivers, operates its own maintenance shop with mechanics, and employs dispatchers, planning specialists to route buses, a trainer and clerical staff.⁶

The district also provides central oversight of the entire public and private student transportation system. The director oversees the implementation of the several contracts with private providers, and extensive records are kept comparing costs and service between the various operations. Core functions, such as routing students in the most cost effective manner, enforcing reward and penalty provisions in contracts, and state reporting, are viewed as the exclusive responsibility of the district.

Major Operations	\$ Share	% Share
Laidlaw Transit Inc.	\$8.0 million	60%
Portland district-run	\$4.0 million	30%
Tri-Met Passes	\$0.3 million	2%
Taxicabs	\$1.0 million	8%
Transportation Budget	\$13.4 million	100%
Athletics and Activities	\$0.5 million	

Portland School District Cost Savings Efforts

Portland School District transportation costs were flat from 1991-92 to 1996-97. Portland expended \$10.73 million in 1991-92 compared to \$10.85 million in 1996-97.⁸

This transportation cost containment was undoubtedly aided by the combination of a district and privately contracted operation. Despite significant pressure on the contractor during those years due to an area-wide increase in driver wages, the district held fast to the original agreement through the life of the contract in 1996-97.

The Portland district transportation budget went up 23.6% in the 1997-98 school year, from \$10.85 to \$13.4 million.⁹ The pent up demand of the contractor to turn a profit, an increase in driver compensation, and the need for new buses were felt as the district went through the bidding process for a new five-year contract, from 1997 to 2002.

The 1997-98 increase was mitigated by a change in the bell structure for school opening which generated savings of \$1.2 million.¹⁰ By limiting the start of school to three times - 8 am, 8:45 am, or 9:15 am - the total number of buses needed for daily home to school transportation was reduced from 230 to 179.

The Portland School District also cut back on its own administrative overhead. The position of assistant transportation director was eliminated, and vacancies due to staff departures were cut from the budget. In addition, the district firmly bargained hourly wages among the lowest of publicly-funded school district bus drivers in the metro area.

District officials see an advantage in their current transportation model. The district can and does compare costs and performance between the contractor and district operations. Information is now collected on operational costs and ridership for both general and special education, as well as performance information on accidents, bus maintenance, driver's licenses, traffic violations, and worker's compensation claims. The availability of this information, in the district's opinion, can be used to negotiate with the contractor when either costs or performance are unsatisfactory.

There is a bottom line mentality in the Portland School District transportation office. The director, a former driver and employee of a private contractor, regularly reviews the comparative statistics between contractor and district operations. She has also virtually eliminated overtime for district drivers, and dealt firmly with collective bargaining issues.

On the other hand, the Portland School District currently does not fully claim the 70% state reimbursement of allowable costs under the formula (see State Transportation Formula, page 5). The district needs to assess the actual time spent on transportation matters for central office administrative oversight, Human Resources, (e.g. personnel office time hiring bus drivers), Risk Management (e.g. workers compensation cases) and assign it to the transportation program in the budget to receive 70% state support. The district also should review reimbursement claims for field trips (fully reimbursable if for an educational purpose), non-reimbursed athletic and activity trips, and home-to-school routes.

COMPETITIVE BIDDING

In the 1996 student transportation bidding process the district gave preference to bidders who could fill the entire contract. This preference, as well as a requirement that all buses utilize propane fuel, may have encouraged only one bidder on the entire contract, and a total of two responsive bidders to the Request For Proposals. This left the Portland School District in a vulnerable position, without a true competitive bidding situation.

Laidlaw, the bid winner, may have obtained a significant increase in profits with the new contract as the only bidder on both regular and special education transportation. The new contract rose by 23.6% despite a substantial drop in the

number of buses due to the new bell schedule. If the \$1.2 million in savings from the bell schedule had not occurred, the contract would have risen by over 40% in 1997-98.

The only other bidder was Ryder Student Transportation, undergoing a merger with School Bus Services at the time which may have limited their interest in bidding for the full contract. Ryder bid only on special education, and even though it was the low bidder, it did not get the contract due to the preference given bids for the entire contract.

Mayor Stephen Goldsmith of Indianapolis has been highly successful pioneer in introducing competition into public services. In his book *The Twenty-first Century City*,¹¹ he provides some key insights; if applied to Portland, these could result in a more effective competitive bidding process. For instance, under the Goldsmith contracting model, district employees are routinely invited along with private companies to bid on services. Unfortunately, the Portland School District's present 30% share of bus service is insufficient to permit the district employees to bid on the entire operation, and there is no indication the district considered including them in the competitive bidding process.

The Portland School District must explore ways to open up the transportation contract to more bidders on a long-term basis. Potential ideas include separate bidding on general education, special education, athletics or activities, eliminating the requirement for propane fuel in some areas, exploration of alternative providers, and performance incentives for innovative and cost-saving approaches.

KPMG PERFORMANCE AUDIT

A recent comprehensive audit of the Portland Public Schools by KPMG Peat Marwick LLP (KPMG) found the Laidlaw contracted costs to be higher than the district operation on both a per student and per mile basis.¹² The higher cost was applicable to the transportation of both general education and special education students. The KPMG study also compared Laidlaw's cost with two other large district-run operations in Salem and Eugene and concluded the district-run operations were lower cost.

The use of cost per student comparisons is limited by significant district variations in routing decisions, school locations, and district size. The cost per mile is a fairer basis than overall cost per student comparisons, but is also influenced by school district routing decisions. The KPMG results are shown in Table 2, with the Portland district-run operation the lowest and Laidlaw the highest.

Table 2. Transportation Cost Per Student By Type and Provider¹³

Provider	Student type	# of students	Cost per student
Portland	General Ed	3,702	\$506
Laidlaw	General Ed	5,343	\$749
Portland	Special Ed	452	\$1,983
Laidlaw	Special Ed	861	\$4,296

The KPMG study recommends the district conduct a cost/benefit analysis which considers the cost of additional staff and increased storage capacity for the district to perform all transportation in-house to current Laidlaw costs. This analysis could then serve as the basis for transferring the service to another provider, at a savings of \$1.5 to \$3 million annually. KPMG also urges consideration of maintaining title to Laidlaw buses.¹⁴

PUBLIC V. PRIVATE COST COMPARISONS

These Performance Audit recommendations are worthy of examination, but the cost savings estimates are premature and not fully analyzed. Due to lack of time, KPMG did not complete an analysis of the impact of depreciation on their ballpark cost comparisons, nor even interview Laidlaw representatives. The KPMG study also did not fully develop a true cost comparison between public and private providers, or sufficiently address the Portland School District's contractual obligation to Laidlaw through 2001-2002.

School districts "can miss the bus" if long term policy decisions are based on faulty or incomplete cost analysis. The Reason Foundation's 1995 report on the San Diego Schools' student transportation concludes the district falsely found its in-house operation to be less expensive.¹⁵ According to the Reason Foundation, the most common mistakes made by school districts in assigning costs are cross-subsidizing, failing to allocate overhead, understating capital requirements, ignoring replacement reserves, and underestimating expansion costs.

The Portland School District must employ a level playing field in comparing public and private costs. Laidlaw purchased nearly 60 new buses with the new contract, which amounts to \$1.1 million in annual depreciation in the \$8 million contract based on a 10-year schedule. In contrast, the district purchases vehicles on a pay-as-you-go basis. Building depreciation must also be amortized on a reasonable basis (e.g. 15 year straight line depreciation), and replacement reserves set aside for district facilities.

Another area to be closely analyzed is the substantial gap in compensation between Portland School District bus drivers and those employed by Laidlaw in 1997-98:

- Hourly wages for district drivers are from \$9.85 to \$11.58 per hour compared to Laidlaw's \$8.50 to \$10 per hour scale.
- District drivers had a 9.93% employer contribution to PERS retirement, while Laidlaw drivers received no employer contribution to retirement.
- Full-time district drivers receive full medical and dental coverage of \$446 per month while Laidlaw drivers receive from \$0 to \$160 per month based on experience.
- The compensation paid to district drivers averages *over 30% higher* per hour than that paid to Laidlaw drivers.
- The Portland School District now pays *52% in benefits* to drivers (i.e. \$.52 in benefits for every \$1.00 in salary).¹⁶

The obvious question is, how can the Portland School District operation run at less cost than the private contractor with these higher salaries and benefits? Public sector costs excluded in the analysis such as the depreciation costs on vehicles and facilities mentioned above, or the expense for central overhead, such as central office supervision, personnel, business, insurance, and legal costs are likely to contribute to cost differences.

Any consideration of a new reduced contract must be in the context of the existing contract with Laidlaw. The district is just now completing the first year of a five-year contract through 2002. Much time and effort were spent in completing that comprehensive agreement. There are downsides to breaking the existing agreement in terms of potential legal liabilities, and the risk of a further cost increase due to reopening the bidding process. Consideration should also be given to how the district might finance the necessary vehicles, storage space, and maintenance facility requirements to run the entire operation.

Special Education Transportation Costs

The cost of transporting 2,300 Portland special education students is equal to the home-to-school transportation of over 10,500 general education students. A total of \$6.7 million of the district's \$13.4 million transportation budget in 1997-98 (i.e. 50%) is for special education students. Included in the \$6.7 million is Laidlaw's \$3.8 special education contract, over \$1 million in cab fares, an estimated \$300,000 in Tri-met passes, and approximately \$1.6 million in district special education transportation.¹⁷

The \$6.7 million budgeted for 2,300 special education students works out to an average of over \$2,900 per student. The KPMG study pegged the Laidlaw costs at \$4,296 per special education student and the district-run operation at \$1,983.

A recent report, "Portland Public Schools Program and Fiscal Review of Special Education," found that many students are being transported from their neighborhood schools to separate classes in other schools.¹⁸ The report notes that transportation is outside the special education budget. It is conceivable, in their view, that this promotes special education requiring transportation over placements requiring additional staff and classrooms in neighborhood schools.¹⁹

Another section of the report suggests exploration of regional sites where travel between sites is minimized.²⁰ It is possible, according to the report, that buses now go in several directions, away from a given school's attendance area, in order to get all the students to the alternative locations.²¹

For those students transported in cabs, the average annual cost is over \$4,500 per student. The number of students transported in cabs has increased from 82 to 220 in the last three years. Cab services can exceed \$100 a day for a student, or \$17,500 or more for one student over a 175 day school year. In addition to the extraordinary cost, there are concerns over the qualifications of cab drivers for handling students with severe disabilities.

Special education transportation costs are driven primarily by the Individualized Education Program (IEP) mandated by the Federal government. The IEP can require home pickup, transportation to a school across town, and other travel accommodations. Cost is not generally a major factor in the IEP decision-making process.

The Portland School District Transportation and Special Education Offices need to explore new ideas for delivering transportation services to high needs students. The transportation planning in the IEP process should be reviewed, and ways to reduce the \$1 million in cab fares must be considered. New options need to be explored, including identifying new carriers decentralizing to a regional or school level, or creating central transportation depots. Student transportation needs to be an active consideration in IEP planning. Students should not be forced into long bus rides if other viable education alternatives are possible.

STATE TRANSPORTATION FORMULA

Statewide transportation funding has increased from \$94.7 million in 1991-92, to \$129.6 million in 1996-97. This equates to a 37% increase in statewide student transportation

Table 3. 1997-98 Compensation for Bus Drivers • Selected Portland Area Districts ²⁸

District	Hourly salary	PERS	FICA	Medical
Oregon City	\$10.12 - \$14.76	9.93%	7.65%	\$236 - 4 hours +
Tigard-Tualatin	\$10.31 - \$13.45	9.93%	7.65%	\$490 - full time
Lake Oswego	\$11.09 - \$14.50	9.93%	7.65%	\$123 - 4 hours +
North Clackamas	\$11.16 - \$14.25	9.93%	7.65%	\$300 - average
David Douglas	\$11.18 - \$13.09	9.93%	7.65%	\$0 - \$160 - years
Portland	\$9.85 - \$11.58	9.93%	7.65%	\$446 - full time
Centennial	\$9.98 - \$12.97	9.93%	7.65%	\$307 - 25 hours
Gresham- Barlow	\$9.50 - \$12.00	401K	7.65%	\$60
Laidlaw- Portland	\$8.50 - \$10.00	None*	7.65%	\$0 - \$160 - years

* Ryder benefits include 401k match up to \$200 and new shared cost

costs compared to an 18% increase in total operational costs, based on audited costs compiled annually by the Oregon Department of Education.²²

The state formula reimburses districts for 70% of approved transportation costs, with the other 30% paid from the district's general allocation. Among the reasons for the higher transportation funding was the state mandate for districts to provide transportation for students living more than one mile from an elementary school and 1.5 miles from a secondary school.²³ Statewide enrollment also grew by 7% between 1991-91 and 1996-97, resulting in the expansion and addition of bus routes in growing districts.²⁴

The state transportation formula acts as a brake on district expenditures for non-reimbursable athletic and activity trips. Non-reimbursable costs are 100% funded by school districts, and include athletic and activity trips, field trips paid for by donations, elementary routes within 1 mile of students' homes, and secondary routes within 1.5 miles of residences (unless approved for safety reasons).²⁵ In 1997-98, the Portland district budgeted \$469,000 in contract costs for athletic transportation alone.

The state formula provides an incentive for school districts to move as much of transportation into the reimbursable category as possible. For example, districts are careful to define field trips or activities for an educational purpose (e.g. debate team), and keep these events district-funded to be eligible for 70% state support. They discourage parent organizations from funding field trips or other activities requiring student bussing as such transportation is non-reimbursable under the formula.

Simply shifting funding to the state level does not save funds for taxpayers. The existing state student transportation formula has resulted in the escalation of total student transportation costs. The formula has encouraged some districts to view student transportation funding as "30%" money, subject to less scrutiny than other expenditures.

Districts, for example, know budget cuts in transportation only result in 30% savings for budget balancing. This can cause districts to look with less interest at student transportation when making budget cuts. On the other hand, increases in transportation expenditures are sometimes viewed favorably because the district only is responsible for 30%, with the other 70% reimbursed by the state.

The bottom line is the state formula needs incentives for cost effectiveness. Districts could be rewarded for cost containment or cost effective practices by a higher level of state reimbursement. Conversely, districts could be penalized for excessive increases or inefficiencies by a lower level of reimbursement.

TRANSPORTATION CONTRACTING IN OREGON

Statewide, approximately one-fourth of Oregon school districts contract for all or a portion of student transportation, that is, out of 198 Oregon and 15 Education Service Districts, there are 52 contracted districts.²⁶ The major contractors, by size of operation, are Laidlaw, Ryder, Mid-Columbia Bus, and Durham. There are also a number of locally owned bus companies such as Schaffer, Olson, and North Bend Student Bus Services.²⁷

Savings in Personnel Costs

The most compelling argument for school districts to examine contracting student transportation is the potential savings in personnel costs. Most urban district bus driver salaries are substantially higher than contractors, and the benefit costs for districts include a state mandated PERS retirement contribution. Most districts also provide health coverage (worth \$200 to 400 per month) for drivers who work 4 or more hours daily. Private company health benefits are much lower (e.g. \$0 to \$160 for Laidlaw).

The hourly compensation for district drivers is typically 30%, or more, higher than for privately contracted drivers. The Portland School District, for example, budgeted 52% in benefits to drivers (i.e. \$.52 in benefits for every \$1.00 in salary) in 1997-98. The district budgeted \$1,472,121 for salaries, and \$775,276 for benefits in 1997-98, including \$481,000 for health insurance and \$146,182 for the employer PERS retirement contribution.²⁹ These district benefits are \$500,000 more than would be paid by a private contractor, a major extra expense.

Cost savings for school district student transportation are derived mainly from the savings in personnel costs. With lower wages and fewer benefits, the private contractor can deliver services at reduced costs. Private contractors, especially large carriers, also achieve savings through buying in bulk from major suppliers.³⁰

Tradeoffs With Competitive Bidding

On the other hand, there are no guarantees of cost savings with contracting in school districts. Contracting requires sufficient interest among private and public carriers to assure competitive bidding. Contracts can also be too tightly or too loosely drawn, requiring many change orders without the benefit of competition. In addition, contractor expenses can spike when a new contract is negotiated. Portland's budget rose from \$10.85 to \$13.4 million in 1997-98, a 24% increase under a new contract.

There are certain core staffing functions which should continue to be provided at the district level even if student transportation is fully contracted out. The district should retain control of the school calendar, the school start and closing times, authority to direct the time and place of pickup and delivery of students, routing and scheduling, and authority to adjust routes and loads.

Ideally, the district should maintain ownership of the buses, or reserve the right to reclaim them if a decision is made to return to a district operation. Such arrangements greatly improve district leverage with private contractors in a large district.

One of the major factors in the reluctance of school districts to competitively bid student transportation or other support services is employee union resistance. Employees are fearful of either losing compensation or even their jobs, although in most cases they are given the option to continue with the contractor. Particularly with long term employees, issues of fair treatment and assumed security are raised. Many districts decide not to pursue competitive bidding to avoid a fight with the union which can occupy a considerable amount of management time.

Criteria for Cost Effective Bid Proposals

For those school districts considering competitive bidding for transportation or other school support services, there are a number of criteria to be included in contracts:³¹

- **Full costing** – comparisons of public and private costs must include a full allocation of costs billed to other programs, and equipment and facility depreciation.
- **Core services** – those duties for student bussing that should be retained by the district such as

routing, bus stops, school start and closing times, and special education. Similar core services should be defined in other support areas.

- **Financial Stability** – include criteria for assessing the financial solvency, capacity to deliver services, and an adequate performance bond to protect the district.
- **Personnel Selection** – assurance that all licensing requirements are met, and drivers are mentally and emotionally stable. Chemical dependency testing, fingerprinting, and other state legal requirements are spelled out in the contract.
- **Performance indicators** – contractors regularly report on such items as accidents, traffic violations, worker's compensation claims, and student discipline problems. Penalties for lateness or failure to complete runs should also be in the contract.
- **Safety and Training Requirements** – driver training and licensure requirements, compulsory in-service classes by qualified instructors, procedures for monthly evacuation drills, and a contractor safety committee are needed in transportation contracts. Similar areas should be covered in other support service contracts.
- **Equipment condition and Maintenance** – require that all equipment be maintained to state and federal standards, provide specific time frames for correction of deficiencies, establish policy on use of spare buses, set bus markings, and set the seating capacity, age of buses, and other criteria in the contract.
- **District Owned Facilities or Equipment** – the potential to reclaim ownership of facilities or equipment should be included in contracts to maintain leverage with contractors. The district also reserves the right to select or approve support facilities of the contractor.
- **Report Requirements** – care must be taken that all reporting requirements are met, including financial, safety and personnel reports needed to monitor the contract.
- **Change Orders** – districts must anticipate the cost of additional runs, new responsibilities for students, or other contract changes in advance. Districts that have not spelled out these procedures have often paid heavily for new services.

While the task of preparing a transportation or support service bid or contract may appear daunting, there is assistance available. Most districts considering contracting gather bid proposals and existing contracts from other districts, involve legal counsel in the preparation of official documents, or engage consultants or other expertise to assure comprehensive, cost effective delivery of competitively bid support services.

CONCLUSION

Opportunities for more effective, efficient spending of education dollars should be explored. One area where savings can be realized is student transportation; at the local level such savings can be achieved through competitive bidding and improvements to existing bidding processes. In the case of the Portland Public Schools, a serious attempt needs to be made to expand the number of bidders. The number of transportation service providers could be increased by dividing the present district-wide contract into smaller contracts. This would encourage more companies to enter the market, thus providing the district with greater choice and leverage among providers. Portland must also identify better, more cost-effective methods for transporting special education students. School districts across Oregon can decrease transportation costs through competitive bidding, provided that all costs are accurately compared between public and private providers, and contracts are properly written. Finally, additional savings can be achieved at the state level by adjusting the transportation reimbursement formula to encourage districts to contain transportation costs, and provide consequences for excessive expenditures.

ACKNOWLEDGMENTS

This study builds on the conceptual base applied in Indianapolis by Mayor Stephen Goldsmith and discussed in his 1997 book, *The Twenty-first Century City*. Goldsmith describes how opening up support services to competitive bidding not only saved the city millions of dollars, but opened the door for public employees to successfully compete with the private sector. He explains the concept can be extended to school support services.

The Portland School District, Laidlaw Transit Inc., and Ryder Student transportation services provided much of the data, as well as keen insights in a series of personal interviews for this study. Their co-operation was both helpful and appreciated.

END NOTES

- ¹ Portland School District. Student Transportation. *Students Transported. Fourth Quarter Report, 1997-98.*
- ² Tax Supervising & Conservation Commission. *Annual Report, 1997-98*, p. 177.
- ³ *Transportation for Students of the Portland Public Schools for the School Years 1997-98, 1998-99, 1999-2000, 2000-01, and 2001-02. Bids Received*, September 10, 1996.
- ⁴ Tri-Met, Telephone Interview, Sept. 1998.
- ⁵ Interview with Raylene Boettcher, Director, Portland School District Transportation. July 1998.
- ⁶ Portland School District, *Fourth Quarter Report*, op. cit.
- ⁷ Portland School District Transportation Office, Budget Documents.
- ⁸ Oregon Department of Education. *1991-92 to 1996-97 Audited Oregon School District Current Expenditures*. Salem, Oregon, 1992 to 1998.
- ⁹ Tax Supervising Commission, op. cit, p. 177.
- ¹⁰ Portland School District, *Bell Schedule Analysis*. 1997.
- ¹¹ Stephen Goldsmith, *The Twenty-First Century City*, Regency, 1997.
- ¹² KPMG Peat Marwick LLP. *Comprehensive Performance Audit of the Portland Public Schools. Final Report*. September 3, 1998, VIII-74.
- ¹³ Ibid.
- ¹⁴ Ibid, VIII-79.
- ¹⁵ Janet R. Beales. *Total Costing for School Transportation Service: How the San Diego City Schools Missed the Bus*. Policy Study No. 199, Reason Foundation, December 1995.
- ¹⁶ Portland School District. *Expenditures By Object - Summary Listing*, June 30, 1998.
- ¹⁷ KPMG, op. cit.
- ¹⁸ Dalton Plunkett, Fred Balcom, Robert Feir, and Frank Hodapp. *Portland Public Schools Program and Fiscal Review of Special Education*, July 1998.

¹⁹ Ibid, p.34.

²⁰ Ibid, p.14.

²¹ Ibid, p.34.

²² *1991-92 to 1996-97 Audited Oregon School District Current Expenditures*, op. cit.

²³ Oregon Administrative Rules, Chapter 581, Division 23, 581-23-040. 1998.

²⁴ *1991-92 to 1996-97 Audited Oregon School District Current Expenditures*, op. cit.

²⁵ Ibid.

²⁶ Interview with Oregon Department of Education, Transportation Section, August 1998

²⁷ Ibid.

²⁸ Telephone Survey of Portland Metro Area School Districts of Salaries and Benefits for Bus Drivers, Conducted by McKean Banzer- Lausberg, Research Assistant, July 1998.

²⁹ *Expenditures By Object*, op. cit.

³⁰ Interview with Coral Semle, Laidlaw Transit Inc., July 1998.

³¹ *Transportation for Students of the Portland Public Schools for the School Years 1997-98, 1998-99, 1999-2000, 2000-01, and 2001-02. Bids Received*, op. cit.