

# CONTRACT MODELS

*A Guide to Outsourced  
Student Transportation*



National School Transportation Association

113 South West Street, 4th Floor • Alexandria, VA 22314  
(703) 684-3200 • (703) 684-3212 FAX • [www.yellowbuses.org](http://www.yellowbuses.org)

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# Outsourcing Models

When most people think of outsourcing transportation, they envision the full-service business model, where the school bus company provides everything from buses to route creation. Increasingly, though, school districts are working with contractor partners to design outsourcing models that are more appropriate for their needs. The possibilities can include almost any service or combination of services the district wants, but the following are the most common.

## **Full Service (also known as Turnkey Operation)**

This is the model for the district that wants to turn everything over to the professionals. Once the contract provisions are agreed to, school administrators can take transportation off their plates, knowing that someone else will be responsible for purchasing and maintaining buses, hiring and training drivers, complying with state and federal regulations, designing and reviewing routes, coping with road construction and bus stop changes, and handling parents' complaints. Full service contracts generally include all transportation services, such as special needs, charter and magnet schools, kindergarten and preschool, sports and activities.

Relief from daily involvement does not mean, however, that the district relinquishes control of the service. A carefully constructed contract ensures that district administrators retain as much oversight and authority as they want. It also doesn't mean that the district relinquishes its identity. If it is important to the district that its school buses continue to be "rolling billboards" for the district, the contract can ensure that the district's name is prominent on the buses.

## **District Retains Ownership of Buses**

If a school district is leery of divesting itself of its buses for fear that it will have no recourse if the outsourcing proves unsuccessful, it can retain ownership of the buses while outsourcing all other parts of the transportation operation. There are a couple of variations of this model, depending on the circumstances of the district.

- A. The district continues to purchase new buses on its replacement schedule. This variation is appropriate particularly in states that provide separate and full funding for bus replacement.
- B. The contractor replaces district buses with new contractor-owned buses on a schedule determined by the district. This allows the district to upgrade its fleet gradually (though faster than it could do on its own) while making sure that it is comfortable with outsourcing.
- C. The district leases its buses to the contractor. This option can be used with either A or B, and can have advantages for tax purposes and/or for providing an income stream to the district.

When the district opts to retain ownership of the buses, it is important that the contract is specific about responsibilities for maintenance and repair, after-market equipment, insurance, and incidental use of the buses.

### **District Continues Employment of Drivers**

A district that is concerned about the political or legal ramifications of outsourcing jobs can choose the model that allows the district to continue employing drivers and other selected transportation personnel. Under this model, the company provides the buses and manages the operations, including driver training and supervision, and administering drug and alcohol testing programs and medical qualification. Because the drivers remain in the Board's employ, they retain benefits such as participation in public retirement programs that they might not have under the contractor's employment. This model also allows districts to outsource without violating any restrictive state labor or privatization regulations. Variations of the model include:

- A. The district details or "seconds" its drivers to the company for a specified period of time (e.g. the length of the contract), giving the contractor responsibility for supervisory and operational functions. The district maintains personnel functions such as payroll and benefit administration.
- B. The district keeps its current employees, but new hires are employed by the company. This allows the district to turn over the responsibility for driver employment gradually, without alienating its employees. If the district desires a faster conversion, it can set a future date at which time all employees will be released to be hired by the contractor.

When the district chooses to retain employment of the drivers, it is important that the contract is specific about lines of authority and responsibility for hiring, discipline, and terminations. In addition, both the district and the contractor must consider carefully the terms of any bargaining agreement between the drivers and the district and how it will affect management of the operation.

### **District Retains Part of the System**

In what might be called the partial full-service model, the district turns over part of its operation to the contractor. The district may continue to operate the regular route service, but outsource the more specialized—and much more costly—special needs transportation. Or the district may outsource all in-district transportation but continue to operate its own out-of-district transportation. It may turn all home-to-school service over to a contractor, but retain a small fleet and drivers for activity transportation. There are many variations on this model, depending on the needs and the resources of the district. It is important that the contract clearly specify the scope of the outsourced service, including procedures to determine responsibility for any gray areas that may arise.

### **Management Only**

A district that wants to retain both its fleet and its drivers but eliminate the day-to-day hassle of operating the system can opt for a management contract. This model best serves the district whose main concern is that administrators spend time running school buses that would be better spent running schools. It's also an appropriate model for a district that is suffering from service issues and/or inefficiency. Bringing in a professional company to manage school bus service not only frees administrators to concentrate on their educational mission but also provides the district with expertise that often results in better service at a lower cost.

When the district chooses a management contract, it is important that the scope of the service is clearly defined, and that lines of authority are clearly drawn. Such issues as hiring, discipline,

and termination; vehicle purchase and maintenance; bus stop approval and review; and responding to parental complaints must be specifically addressed.

### **Graduated Approach**

A district that is not ready to dive into outsourcing can take the toe-in-the-water approach through one of the following options.

- A. The district contracts for a limited service, such as fleet maintenance. Over a period of time, the district adds other components to the contract until it has reached the full service model, or it can stop at any point where all its needs are being met.
- B. The district begins outsourcing with a single route following the retirement of a driver. As other drivers retire or leave the district, those routes become part of the contract. This variation is appropriate particularly for districts that hire drivers for specific routes or that use contract drivers.

The graduated approach allows the district to ease into outsourcing with the least disruption to its system and the least community apprehension. It allows the district to establish a partnership with the contractor when there is little at stake and to become comfortable at each step before adding another component. The downside is that under this model it will take much longer for the district to realize the full benefits of outsourcing.

### **Coordinated Service**

A district that is too small or too rural to attract vendors on its own can become a viable candidate for outsourcing by joining with one or more neighboring districts in a transportation consortium. Pooling the needs of multiple small districts allows a contractor to operate more efficiently through a single centralized facility and increases the size of the operation to the point where it can justify the capital expense to establish the service. This is also an appropriate model for larger districts' specialized transportation. The high cost of long-distance, low-density transportation to regional facilities, for example, can often be reduced by coordinating transportation of students in neighboring districts. Districts that join together to outsource this coordinated transportation to a contractor with superior routing expertise and specialized equipment will not only reduce their costs but also provide better service to their students with special needs.

These are the broad outlines of the most common outsourcing models, but there is an infinite number of combinations and variations on these themes. School districts can pick from a menu of services or design their own contracted systems, and as long as the district and the school bus company agree on contract terms, the contractor will make it work. The point of the partnership, after all, is to provide student transportation that best suits the needs and the resources of the district while freeing school personnel to concentrate on their educational mission.

In order to help board members and administrators determine the best model for their purposes, we've attached a check list of common factors. Identifying the factors that characterize your district will help focus your discussions with contractors and help you construct a request for proposals (RFP) that will result in the service you want.

## Outsourcing Checklist

	Yes	No	Unsure
We can't afford the capital expense to replace aging buses			
The state pays for bus replacement separately than for operations			
Timing problems make it difficult to purchase buses through a bond issue			
Our maintenance costs are climbing			
We participate in a state bus bid			
We have a large parts inventory			
We have ASE-certified mechanics			
We own a fleet maintenance facility			
We own parking space for all our vehicles			
We have the ability to lease our fleet space and/or facilities			
We need an immediate cash infusion			
Our labor expenses are too high			
State law restricts privatization of employees			
Our union contract restricts privatization			
Driver grievances take too much HR time			
Our drivers are full time employees			
Our drivers combine driving with other district jobs			
Our workers compensation costs are inordinately high			
Our drivers, mechanics and/or other transportation personnel participate in the state or local public employee pension plan			
We have state certified driver trainers and provide monthly in-service training classes			
We have computerized driver files that track license renewal, physical exams, etc.			
We use routing software			
Building principals and other administrators spend part of their time solving transportation problems and fielding parent complaints			
The superintendent gets too many transportation-related phone calls			
Board members try to influence our transportation managers			
Buses are often late			
Some buses are less than $\frac{3}{4}$ filled			
Students are on regular route buses for more than an hour			
We have many students in choice schools, magnet schools, and special placements			
We need specialized transportation for some students that we can't adequately provide			
Community sentiment opposes privatization			