

# SAFEGUARDING TAXPAYER DOLLARS

## Measuring the Costs and Benefits of Contracting Out

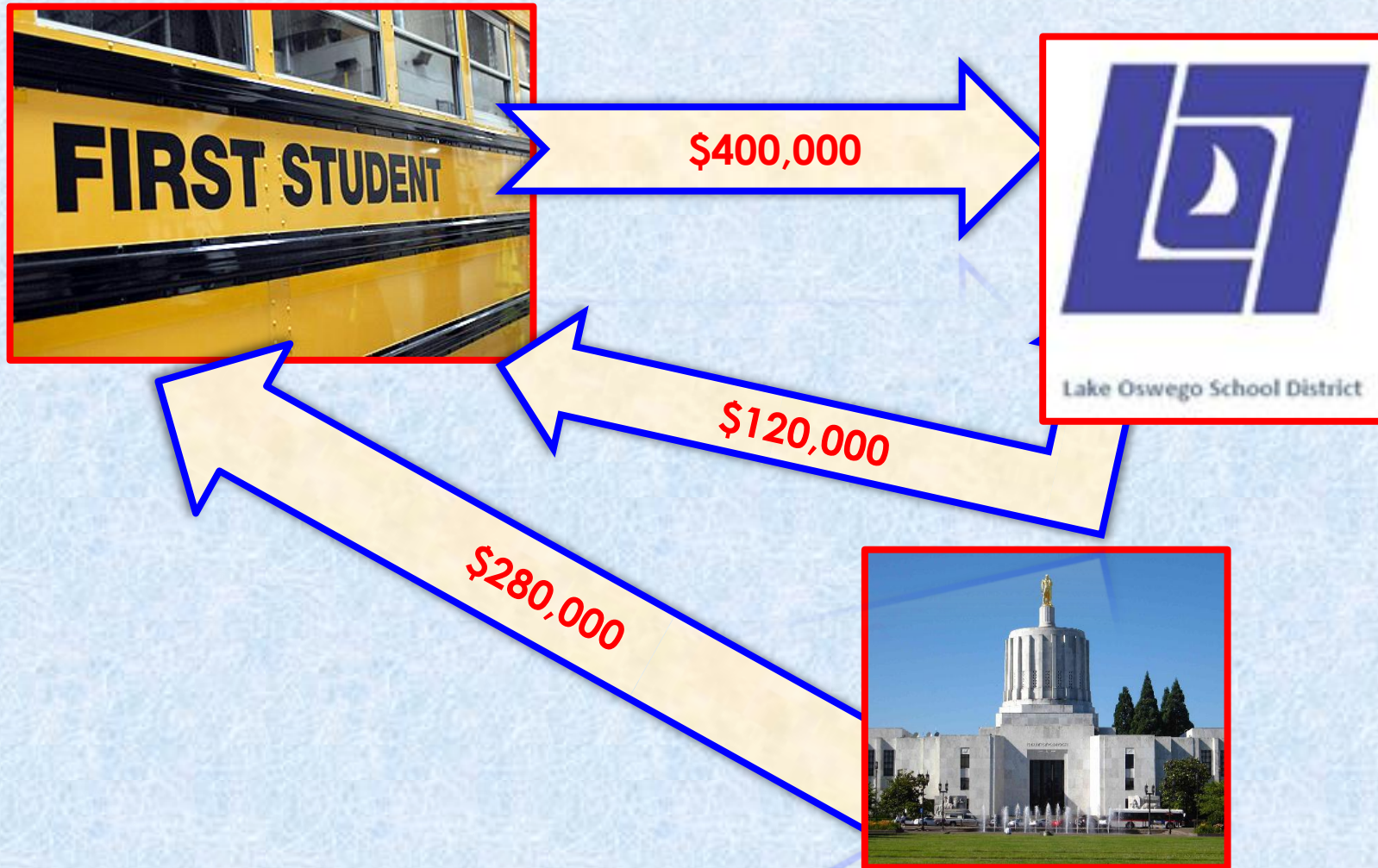


Prof. G. Lafer,  
University of Oregon

# Principles for Safeguarding Tax Dollars

- Include all costs – state and local.
- Provide full information needed for analysis.
- Track costs over enough years to measure economic impact.
- Effective monitoring and enforcement mechanism.

What happens when state tax dollars are treated as “free money,” not included in cost-benefit analysis.



# INFORMATION NEEDED FOR COST-BENEFIT ANALYSIS

	Required by Statute	Provided by First Student
Employee Wages	✓	✗
Employee Benefits	✓	✗
Material Costs	✓	✗
Cost of Equipment (included buses)	✓	✗
Cost of Fuel	✓	✗
Supplies & Storage	✓	✗
Miscellaneous	✓	✗

# AFTER CONTRACTING OUT, WAGES AND BENEFITS AT CENTRAL POINT HAVE BEEN CUT BY NEARLY 50%

- No pension benefit paid by employer.
- No health insurance benefit paid by employer for bus drivers.
- Maintenance and managerial employees pay 23% of health insurance premium costs.
- New hires paid lower wage rate
- Training time paid at minimum wage rather than driver rate.

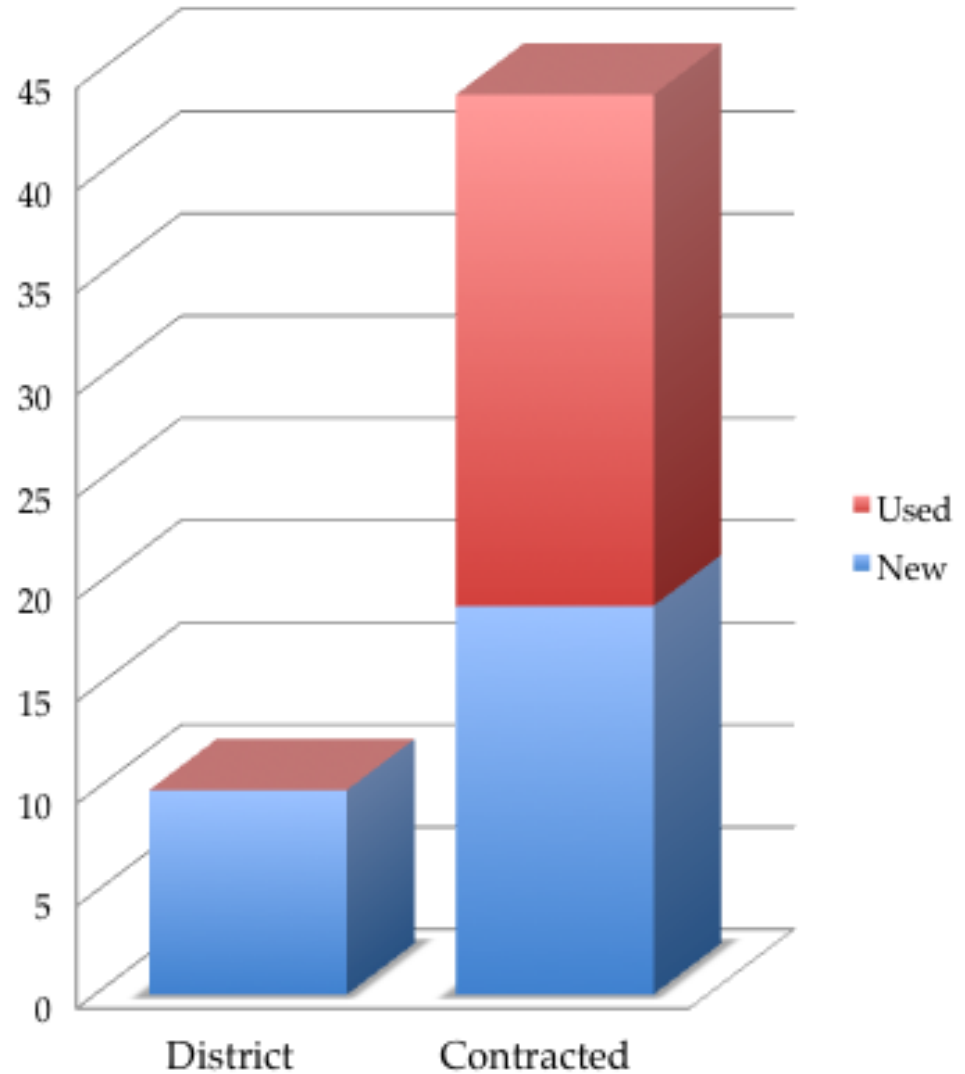
# What's Missing from the Central Point/First Student Cost-Benefit Analysis?

## Corrections to CPSD Cost/Benefit Analysis

	Annual	5 Year
<b>Privatization Cost Savings Projected by Fairchild Analysis</b>	<b>\$106,000</b>	<b>\$530,000</b>
<b>Corrections</b>		
First Student bus purchase costs	-\$371,887	-\$1,859,435
Material Costs -- No Basis for Assumed 10% Savings	-\$30,270	-\$151,350
Accelerated (5-Year) depreciation cost to State of Oregon	-\$42,018	-\$210,090
Contractor 2.5% annual price increase, vs. 1.95% CPI	-\$17,195	-\$85,975
Forfeiture of Bus Fleet	-\$175,000	-\$875,000
<b>Net result of privatization, holding labor costs constant</b>	<b>-\$530,370</b>	<b>-\$2,651,850</b>

**Privatization  
Dramatically  
Increases  
the Rate of  
Bus Purchases**

**Bus Purchases over 5 years**



# Private use of public buses

- First Student's contracts in both Central Point and Lake Oswego state that the buses are reserved "for the exclusive use of providing pupil transportation services to the District" unless the District gives explicit written permission. (CPSD)
- Even if permission is given, "any school bus ...used ...for any other purpose ...must [provide] ...documentation for the time and cost of fuel associated." (LOSD).





First Student runs commercial charter buses out of both Central Point and Lake Oswego facilities, advertising “easy and efficient bus rental solutions for ... weddings, field trips, corporate transportation, and other group outings.”

The screenshot shows the First Student website interface. At the top, there is a navigation bar with the following items: "First Student", "Who Chooses Yellow?", "The Yellow Difference", "Planning Your Trip", and "Corporate Services". The main heading is "Rent a school bus near White City, Oregon". Below the heading, the text reads: "First Student provides school bus rentals near White City, Oregon. Departing from the Central Point branch, our school buses are driven by trained professionals and are the perfect group transportation solution. We provide easy and efficient bus rental solutions for a variety of groups and events including weddings, field trips, corporate transportation, and other group outings. The cost to rent a school bus is as low as \$1.50 per passenger/hour, allowing an affordable and safe way for you and your friends to enjoy your trip. Call the White City branch directly at 541-494-6930 and speak with an agent today, or fill out the quote request form for an online price estimate." Below the text, there is a "Get A Quote" button and a form with the following fields: "Event Date" (07/09/2012), "Event Duration" (Choose Duration), and "Zip/Postal Code". To the right of the form, the address "1396 Antelope Rd White City, OR 97503" and phone number "541-494-6930" are listed, along with the hours "M-F: 6:00 am - 5:00 pm". A small map snippet is visible in the bottom right corner of the screenshot.

Neither district has given permission for these operations.

**Neither district has any way of tracking how much it may be spending on fuel, maintenance, repair and depreciation for First Student's private charter services.**



**CPSD H.R. Director  
Mike Meunier**

"We wouldn't know" if CPSD is paying for fuel & bus maintenance for First Student's commercial business.

We have "no records in [our] possession" regarding First Student's private charter business.



**LOSD Finance Director  
Stuart Ketzler**

# Longer-term concerns regarding bus privatization

- Increased bus purchases.
- Rate increases above inflation, compacted over time.
- Less efficient route planning, results in more miles to drive.
- Loss of District's bargaining leverage over time.