City's Fourth Extension of the School Bus Grant Program Should Be Rejected

March 08, 2018

The New York City Fiscal Year 2019 Preliminary Budget recently proposed spending $42 million in fiscal year 2018 to extend the School Bus Grant Program for a fourth year. The program, established under Mayor Bill de Blasio, provides salary and benefit support to firms that were awarded pupil transportation contracts without employee protections for seniority and pay (EPPs). The City Council should reject the grant program, which circumvents the public procurement process and increases costs to taxpayers without enhancing services, and call for the de Blasio Administration to find savings in pupil transportation, which will cost $1.1 billion in fiscal year 2018. Today New York City will receive bids for contracts to provide pupil transportation on 1,600 of the City’s 8,200 bus routes. In a departure from prior policy, the contracts will reinstate employee protections for seniority and pay (EPPs). These protections were removed from certain school bus contracts under Mayor Michael Bloomberg as part of an effort to rebid these contracts for the first time in decades and to save money for a service that cost taxpayers more than $1 billion.

The change has been controversial, and Mayor Bill de Blasio established the School Bus Grant Program to provide salary and benefit support to firms that were awarded contracts without EPPs. The School Bus Grant Program—recently extended for fiscal year 2018 at a cost of $42 million—is problematic, most notably because it circumvents the public procurement process. The City Council should reject this program, and all new school bus contracts should be awarded with an eye toward realizing savings in the costs of pupil transportation, which have now grown to more than $1.2 billion annually.

CBC has previously weighed in on the School Bus Grant Program in this comment submitted to Small Business Services and in this op-ed in the New York Post.
School Bus Contracts and the Grant Program

In 2012 the Bloomberg Administration began a process to rebid school bus transportation contracts, which cost taxpayers more than $1 billion annually. Most of the contracts dated back to 1979 and included EPPs; following a 2011 legal decision, two groups of contracts, representing about 40 percent of bus contracts, were rebid without EPPs. Rebidding these contracts saved more than $400 million. A third group of contracts was put out to bid without EPPs by Mayor Michael Bloomberg but was canceled by Mayor de Blasio.

In 2014 Mayor de Blasio authorized the Department of Small Business Services to provide grants to the school bus companies that have contracts without EPPs. The School Bus Grant program effectively invalidates a competitive bidding process that awards contracts to the lowest responsible bidder and increases city costs without any additional benefit to taxpayers. This program cost $28 million in fiscal year 2015, its first year, and has been renewed annually since. The de Blasio Administration proposes to spend $42 million on this program in fiscal year 2018, bringing the total four-year cost to $136 million.²

The Administration plans to reinstate EPPs as it rebids school bus contracts, thereby forgoing the savings secured by the Bloomberg Administration. One set of bus contracts without EPPs, representing about 1,600 of the 8,200 daily routes, is due to expire in June 2018. The City has issued an RFP for these contracts and is considering another RFP for the remaining contracts without EPPs that expire in June 2019. A third round would rebid the contracts dating back to 1979, which include EPPs and account for 60 percent of all contracts.³

Savings Needed

The School Bus Grant Program has steadily eroded the savings gained through the competitive bidding process and should be rejected.

Pupil transportation costs have grown to $1.1 billion, and the contracts should be rebid with the goal of generating savings to offset the increased costs incurred from the restoration of the EPPs. Rebidding all transportation bus contracts provides the opportunity to foster competition, increase use of
technology, and improve efficiency. For example, certain subsidies and costs can be eliminated, GPS can be installed, and daily service periods can be extended without a fixed start time. As the City Council increases its investigation and oversight of major city services, finding savings in pupil transportation should be a priority.

By Ana Champeny

Footnotes

1. For a history on school bus transportation contracts, see: Erin Lester, Special Assistant, NYC Department of Education memorandum to Elizabeth Rose, Deputy Chancellor, Division of Operations; Eric Goldstein, Chief Executive Officer, Office of School Support Services; and Howard Friedman, General Counsel, “New EPP Provisions in Procurements of New K-12 Bus Contracts” (December 26, 2017, included with bid documents for RFB B3182).


4. Total pupil transportation contract costs are $1.2 billion and include about $100 million for pre-k transportation contracts which are not included in the discussion above. NYC OpenData, “Expense Budget” (accessed February 5, 2018, last updated February 2, 2018), https://data.cityofnewyork.us/City-Government/Expense-Budget/mwzb-yiwb.

5. For more information on changes made to contracts rebid in 2012 and 2013 that could be extended to all contracts, see: Erin Lester, Special Assistant, NYC Department of Education memorandum to Elizabeth Rose, Deputy Chancellor, Division of Operations; Eric Goldstein, Chief Executive Officer, Office of School Support Services; and Howard Friedman, General Counsel, “New EPP Provisions in Procurements of New K-12 Bus Contracts” (December 26, 2017, included with bid documents for RFB B3182), p. 13.