

# The Pros and Cons of Student Transportation Outsourcing



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If your school district is struggling to keep its transportation system running due to budget constraints or a lack of drivers, you're hardly alone. There's a true crisis in American student transportation, with few signs of the situation improving.

From Baton Rouge to Anchorage, districts are struggling to find the money necessary to keep their buses running. Driver shortages are also nearly universal. According to a 2022 study by EducationWeek®, only 14% of districts feel they have enough drivers to comfortably run all their routes. Worst of all, reports have begun to surface of schools cutting routes for students who live near the school. Some schools cancel classes entirely due to a lack of transportation.

The current situation is not sustainable. Many school districts are struggling to find ways to lower their transportation costs and improve their access to bus drivers. In order to address this issue, a growing number of districts are turning to third-party outsourcing solutions. This approach can potentially help reduce costs, improve bus coverage, and provide other administrative benefits. However, it's important to note that outsourcing is not a guaranteed solution to all transportation problems.

In this whitepaper, BusBoss will examine the pros and cons of school transportation outsourcing. Is outsourcing the right option for your district?

## The Basics of School Transportation Outsourcing

In theory, the arrangement is simple: The school contracts with a transportation company to provide both buses and drivers while typically taking over many administrative tasks as well. The third-party company is often responsible for matters such as bus routing and scheduling, based on information provided by the district. Likewise, the outsourced company will handle driver recruitment, development, and payroll. The district pays a contracted agreed-upon fee for the services.

The arrangement is nearly invisible to students and parents. They simply keep using the buses as before, without any significant changes to suggest a third party is now handling transportation. However, as with many outsourcing solutions, the reality tends to be more complicated.



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# The Benefits of Outsourcing Your School Bus System

When properly handled and implemented, there are numerous benefits of school transportation outsourcing.

## 1. Access to Drivers

For many districts, the most important reason to choose an outsourced partner is also the most obvious. Districts gain access to drivers they cannot provide themselves. For districts that struggle to find enough drivers, this can solve their staffing problems nearly overnight. Since the outsourced company may afford to pay more than a district can, they will have a much easier time handling recruitment.

## 2. Reduced Ongoing Costs for Drivers

Along with providing the district with drivers, the outsourced bus company will also be entirely responsible for their training and development. These costs can be substantial for a district, especially one which was previously recruiting untrained drivers and paying for their training/licensing out of the district budget.

Overall, the driver-related cost savings will be substantial, and ongoing.

## 3. Improved Bus Fleets

Outsourcing can also provide access to newer, safer buses for schools running older fleets with maintenance issues or pollution concerns. Third-party providers often have the money to maintain fleets of newer buses. The outsourced company can also provide specialized vehicles some districts lack, such as wheelchair-accessible buses. If pollution is a significant concern in your area, electric school buses may be available. Outsourcing allows districts to effectively upgrade fleets at lower costs when compared to purchasing new vehicles outright.



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## 4. Significant Ongoing Cost Savings

Because the outsourced transportation company takes over most administrative and maintenance tasks relating to the school buses, this lowers your costs in several key areas.

- Eliminates maintenance and repair costs for school buses. Maintenance is folded into the ongoing transportation contact.
- Lowers fuel costs with bulk fuel buys.
- Reduced administrative hours managing drivers, payroll, etc.
- Collapsing communications regarding bus management to a single point-of-contact at the third party.
- Parental communications, such as bus ridership information, may also be outsourced.

For many districts, these cost savings may actually pay for the bus services outright, easily justifying the switch to outsourcing from a cost/benefit perspective.

## 5. Selling Your Bus Fleet for a Budget Boost

If a school district forms a successful partnership with a third-party bus company, its existing bus fleet may no longer be needed. In that case, the district would have the option of selling some or all of the bus fleet. This would create a significant one-time cash influx - typically in the hundreds of thousands of dollars - which could then pay for other necessary additions or upgrades within the district. In areas in which residents reject higher school taxes, this option could be a lifesaver for districts seeking funding sources.

However, be aware: this would also lock the district into using a third party for transportation, with no viable path back to transportation independence. Such a move would need serious consideration and should only be contemplated after multiple years of successful work with a third party.



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## 6. Reduced Insurance and Accident Liability

Another major benefit to outsourcing is that the third party would become the owner of transportation-related liability issues. The outsourced transportation company would be paying insurance costs and also bear responsibility for accidents or other mishaps. Given how litigious many people have become in recent years, this could be extremely helpful.

## 7. Maintain Control of Routing (If Desired)

The question of who makes the bus routes can be handled by either the district or the third-party. Many districts prefer to provide routes, because they have better knowledge of the students' lives and the local terrain. This is entirely doable.

Or, the outsourced company can take over this responsibility as well. The system is flexible.

## 8. Controlled Bidding Can Reduce Costs

One concern about outsourcing is the possibility of the transportation company overcharging for services. A district that can specify its bus and routing needs can get competing bids from several companies to ensure fair pricing.

The option of switching providers can also be used to prevent any strong-arming later. It's rare for schools to be locked into long-term contracts with no exit options.

To summarize, there are numerous ways outsourcing your school buses can cut costs, reduce liability, and even lead to fundraising. With a reliable partner, school bus outsourcing becomes a highly attractive option.



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# Downsides to Outsourcing Your School Bus System

Districts considering outsourcing still need to be aware of its drawbacks and situations where the arrangement can go wrong.

## 1. Slow Administrative Response

For many districts, the biggest obstacle created by third-party transportation is bureaucracy. Now, all changes to the buses, routing, and similar issues must go through a third party. This can significantly increase the time it takes to implement even minor changes.

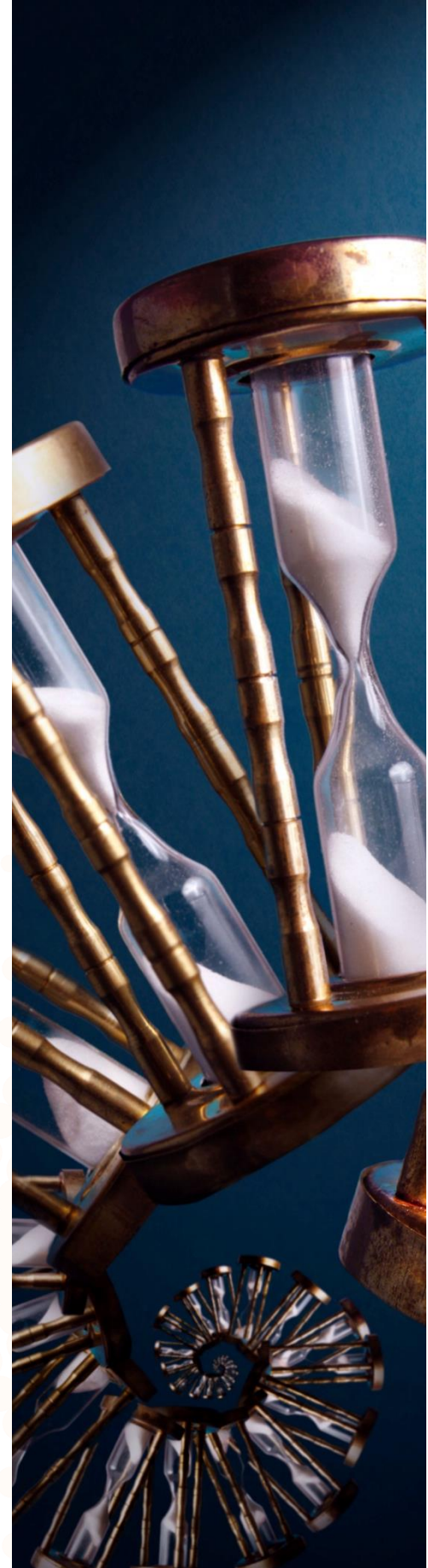
Larger changes, such as adding or removing full routes, likewise become more complicated. The transportation contract will likely specify an exact number of buses and routes, so such changes would require contract re-negotiations.

If parents have a complaint about a driver, your district may have very little ability to directly resolve the issue. It would be shared with the transportation company, with your office managing the situation at the parent level while waiting for a resolution.

## 2. Lack of Local Information

One big benefit to hiring local drivers is they are familiar with your town or city, its geography, and have insider information about quirks of the local road system. Third-party transportation companies may bring in drivers from across the state or even the country while relying on electronic maps for routing. A lack of regional information can potentially create problems in which the driver makes mistakes that a local resident wouldn't. For example, perhaps a bridge is out of commission, but the mapping system is out-of-date. Non-local bus drivers might not realize they're on a dead-end road until it's too late.

This can be mitigated if the district provides routes for the buses, but contingencies can still arise. For example, a driver may be forced to improvise if they come upon an unexpected traffic jam. A driver who lacks familiarity with the area may struggle to find alternative routes.



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### 3. Oversight Issues

When you hire third-party transportation companies, you are putting significant trust in them. You might have limited ability to oversee or vet their operations. Are their drivers actually as highly trained, and their buses as well-maintained as they claim? You may have to take it on faith or rely on contractual guarantees for protection.

### 4. Unethical Companies

Good negotiation can largely negate this issue, but it's worth considering: Third-party transportation companies are aware of how much power they wield, and some are willing to abuse that power. They could potentially use loopholes to introduce new fees or other hidden costs while leaving you relatively few alternatives. All contracts with third-party transportation companies should be thoroughly reviewed, with legal assistance, to ensure they leave as few loopholes as possible.

## 5. Failure to Properly Provide Service

The nightmare scenario is hiring a third-party transportation company that simply fails to do its job. In August 2023, the Jefferson County Public School district, which covers Louisville, KY, and handles approximately 65,000 riders, was forced to cancel classes for several days because the outsourced transportation service did not arrive as scheduled.

Jefferson County is most likely covered contractually and will probably be in a legally advantageous situation, but that does not undo the damage caused by the unreliable transportation provider. As the school bus driver crisis continues to worsen, third parties may be tempted to over-promise to grab more businesses.

In short, there are more overall benefits than drawbacks to school bus transportation outsourcing. But schools must be diligent in choosing their providers, and throughout negotiations, to reduce the likelihood of issues.



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# Questions to Ask Before Choosing an Outsourced Transportation Company

When considering a third-party transportation company, be ready to contact several companies and compare their offerings. Your exact needs may vary, but these are some of the most important questions to ask:

## 1. What is your overall capacity, and how close are you to it?

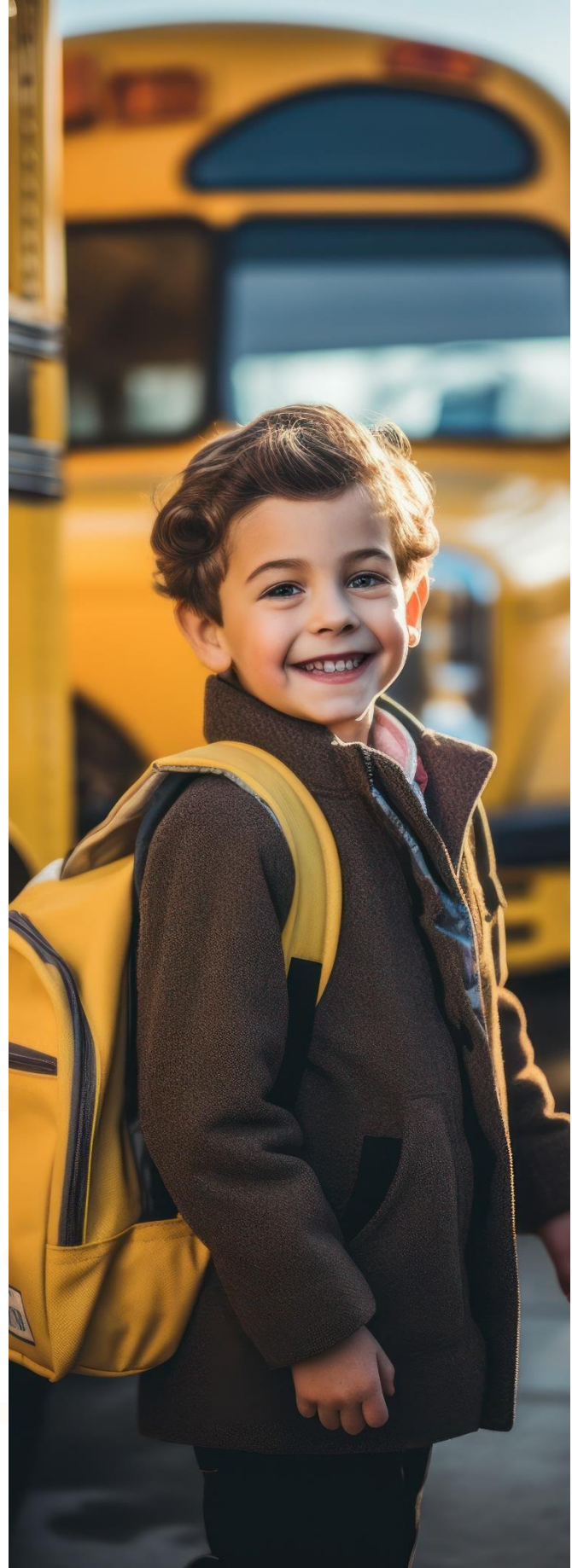
When dealing with third-party transportation companies, bigger is almost always better. They need to have plenty of buses available, with sufficient fallback and failover options in case something goes wrong. You can't risk allowing children to be stranded.

## 2. What service guarantees do you offer?

An outsourced bus service must be willing to offer substantial guarantees that contracted services will be honored. Dig deep into what happens, should they ever fail to uphold their service contract. This should also include an intense discussion of fees, penalties, and other factors that could potentially increase costs.

## 3. What are your driver hiring/training/development policies?

A reputable transportation provider understands how critical it is to have reliable drivers and should be happy to discuss workforce policies. Given the job market, they may be dealing with high turnover. How will they guarantee their drivers are qualified to do the job properly?



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#### 4. How are buses chosen and maintained?

You need to be certain the company is selecting reliable school buses as well as performing proper ongoing maintenance. If possible, ask to see some example maintenance and repair records, and consult with an expert to verify they are reasonable.

#### 5. How are communications with districts and/or parents handled?

Proper lines of communication are important when outsourcing your transportation system. You should have multiple points of contact, available whenever needed, 24/7. For example, student sports players and coaching staff, band members, or cheering teams will be returning from away games and competitions late at night. What happens if the bus breaks down at midnight?

Likewise, how will parental complaints be handled? Will the parent contact the third party directly, or is your district the go-between? Parent/driver conflicts can happen, so be sure to nail down this issue in a way that minimizes miscommunication.

#### 6. How is legal liability distributed?

The outsourcing company will typically assume responsibility for most legal liability in cases of accidents or driver misbehavior. This should be set in stone. Be sure it's absolutely clear who is responsible for what aspects of the transportation process should problems occur. No one wants to be finger-pointing if children's safety is involved.



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## Conclusion: Outsourcing Can Work if Conducted Properly

School bus transportation outsourcing offers more potential benefits, particularly considering the long-term cost savings. For many districts, outsourcing absolutely can solve their bus staffing problems, while reducing overall costs. But problems can arise. The more planning, consulting, and negotiating you do ahead of time, the more likely the arrangement will be successful.

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