

SCHOOL BUS BIDDING AND PURCHASING STUDY

REPORT 05-5



REPORT DIGEST

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STATE OF WASHINGTON

JOINT LEGISLATIVE AUDIT AND
REVIEW COMMITTEE

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This Joint Legislative Audit and Review Committee (JLARC) study reviews the current methods of bidding and purchasing school buses for home-to-school transportation for K-12 students. This study examines why bus prices vary from year to year and whether the state's bidding, purchasing and reimbursement system has an impact on the price variability. The study also assesses whether the state's reimbursement system should be changed to ensure the state pays a low price for school buses while still allowing districts maximum flexibility and choice in what buses they buy and when.

STUDENT TRANSPORTATION IN WASHINGTON

While school districts are responsible for maintaining and operating their respective bus fleets, the state of Washington, through the Office of Superintendent of Public Instruction (OSPI), pays for school buses districts purchase. Of the 296 school districts across the state, 275 operate their own fleet of school buses. These 275 districts choose what brand of buses to buy, how to operate and maintain their buses, and when to replace their buses. In the 2003-05 Biennium, OSPI paid school districts approximately \$65 million for their school bus purchases.

Bus Bidding and Purchasing

In order to determine the annual rates for payments to the districts, OSPI solicits competitive bids from the four school bus vendors licensed in the State of Washington. Although OSPI uses the lowest bid received to set the payment rate for school buses, districts are permitted to purchase a bus from a vendor other than the lowest-bid vendor. However, districts are responsible for paying the difference between the bus they purchase and the lowest-bid price of that bus. Districts also have the opportunity to buy various options for their buses, such as halogen headlights, luggage compartments, and tinted windows; the cost of these options is also the responsibility of the districts.

Prior to 2004, districts had the ability to purchase their buses through a non-profit purchasing cooperative. In 2004, however, the Legislature limited its payments only to buses bought through the state bid or as a result of a district's competitive bid process.

District Payment

Under the current system, OSPI pays districts for the buses they purchase based on an 8-year or 13-year depreciation schedule, depending on the size of the bus. That is, OSPI pays each district an annual amount for each bus over the entire "depreciated" life of the bus. The theory is that at the end of the life of a given bus, the state will have provided each district with enough funds to replace their old buses with new ones.

In practice, many districts use their depreciation payments to pay for local discretionary options and to purchase buses used to increase a fleet in addition to replacing old buses. This has led to a situation where many districts have inadequate funds available when they need to replace old buses. Some districts have turned to financing their bus purchases in order to purchase needed replacements, which perpetuates their shortfall by obligating funds to interest and principal payments.

Study Findings and Conclusions

As a result of this study, JLARC makes the following findings and conclusions:

- There are external factors that affect school bus prices, such as the national school bus dealership structure, the price of steel, and the U.S. Environmental Protection Agency's emissions requirements, over which the state has no influence.
- It is not possible to identify or quantify the affect that bus sales facilitated through the King County Director's Association (KCDA) may or may not have on the state's low-bid system.
- There are purchasing practices in some Washington school districts and in some other states that could improve the state's overall bus purchasing practices.
- Although it is difficult to compare bus prices between states, analysis shows that the prices Washington pays for school buses are in line with states using similar purchasing strategies.
- The wide variability in the state's annual payments to school districts is due more to the state payment process than to the bidding or purchasing processes. The variability could be reduced by switching to a financing system.

Recommendations

In response to the five primary findings indicated above, this report includes the following three recommendations:

Recommendation 1: The Legislature should make permanent the current school bus bidding, purchasing, and payment system that was created in a 2003-05 budget proviso.

Recommendation 2: OSPI should examine the promising practices identified in this report and determine whether and how to implement them on a statewide basis.

Recommendation 3: If predictable budget levels are important, the Legislature should ask OSPI to examine alternative funding approaches.