



Illinois State Board of Education

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Gery J. Chico
Chairman

Christopher A. Koch, Ed.D.
State Superintendent of Education

December 31, 2014

MEMORANDUM

TO: The Honorable Pat Quinn, Governor
The Honorable John J. Cullerton, Senate President
The Honorable Christine Radogno, Senate Minority Leader
The Honorable Michael J. Madigan, Speaker of the House
The Honorable Jim Durkin, House Minority Leader

FROM: Christopher A. Koch, Ed.D. *Christopher A. Koch*
State Superintendent of Education

SUBJECT: School District Transportation Shared Services Study

The School District Transportation Shared Services Study is respectfully submitted pursuant to Public Act 98-0907 (Sandack/Raoul).

The study provides a review and analysis of selected districts engaged in shared services agreements along with specific recommendations for which transportation shared services can work effectively and achieve overall cost savings.

For additional copies of this report, or for more specific information about any of the items, contact the Governmental Relations Division at 217/782-6510.

cc: Tim Mapes, Clerk of the House
Tim Anderson, Secretary of the Senate
Legislative Research Unit
State Government Report Center

Enclosure

Illinois State Board of Education
School District Transportation Shared Services Study
Public Act 98-0907 (Sandack/Raoul)

This report of a school district shared transportation services study per PA 98-0907 is respectfully submitted to the Governor and the Illinois General Assembly. The study provides a review and analysis of selected districts engaged in shared services agreements along with specific recommendations for which transportation shared services can work effectively and achieve overall cost savings.

Background

Public Act 98-0907 calls for the Illinois State Board of Education (ISBE) to study shared services contracts for transportation funding and the opportunity for increased savings for future shared services contracts. Specifically, the study *“shall look at school districts that have entered into shared services contracts for student transportation. In addition, the study shall examine school districts with shared boundaries and apply examples of savings that a school district could save if it entered into a shared services contract. The ISBE need not examine school districts on a statewide basis but may use individual representative examples in completing this study.”*

Background and Current Transportation Formulas

As of July 1, 2014, Illinois has 857 school districts; 494 are mandated to provide free transportation to all students who live 1.5 miles from their assigned school and 363 are not mandated. Section 29-3 [105 ILCS 5/29-3] establishes the mandate to provide free transportation based on the assigned type of Elementary, High School or Unit District. There are 136 Elementary, five High School, and 353 Unit Districts that are mandated to provide free transportation.

Districts provide transportation services by operating their own fleet, contracting operations with a transportation company or entering into an intergovernmental agreement with another district. Section 10-20.21 [105 ILCS 5/10-20.21] sets forth contractual bidding requirements for transportation expenditures in excess of \$25,000 or a lower amount as required by school district board policy along with allowable exceptions. Districts can bid out their transportation services together or separately, with geographic area and distance being factors in that decision. Districts can also elect to bid out collectively or separately different types of transportation services such as regular education, special education, vocational or field trips. One allowable exception from the bidding requirements includes *“contracts for goods or*

services procured from another governmental agency” (subsection xii). Specifically, Section 2 of the Governmental Joint Purchasing Act [30 ILCS 525/2] states, “Any governmental unit may purchase personal property, supplies and services jointly with one or more other governmental units. All such joint purchases shall be by competitive solicitation The provisions of any other acts under which a governmental unit operates which refer to purchases and procedures in connection therewith shall be superseded by the provisions of this Act when the governmental units are exercising the joint powers created by this Act.”

The current state reimbursement formula for regular and vocational transportation is provided in Section 29-5 [105 ILCS 5/29-5]. In general, the regular transportation reimbursement formula takes allowable costs and subtracts the district’s equalized assessed valuation (EAV) multiplied by a statutorily assigned “qualifying rate”: .05 percent for High School Districts, .06 percent for Elementary Districts, and .07 percent for Unit Districts. If the computed wealth offset exceeds allowable costs, the district receives a “flat grant” reimbursement of \$16 per eligible regular transportation pupil.

Vocational transportation reimbursement, provided in Section 29-5 [105 ILCS 5/29-5], is calculated at 80 percent of eligible vocational costs, which are not equalized based on district wealth.

Special education transportation reimbursement is provided in Section 14-13.01(b) [105 ILCS 5/13.01(b)] and is calculated at 80 percent of eligible special education costs, which are not equalized based on district wealth.

Methodology

To collect information regarding districts engaged in shared transportation services, an email was distributed by agency staff on September 5, 2014, to all regional superintendents of education. The email summarized the requirements of the study and asked the regional superintendents to advise ISBE of any known districts in their regions that have formal or informal shared transportation service agreements. The districts chosen for the study were the result of district responses; information provided by representatives of Cook-Illinois Corp., a transportation provider in Cook County; and districts known by ISBE staff that were engaged in some form of shared transportation services.

The districts examined in this study with shared transportation services are:

- Bensenville School District 2 with Fenton Community High School District 100;
- Libertyville School District 70 with Hawthorn Elementary 73 and Community High School District 128;
- Rockton School District 140 with Prairie Hill School District 133, Kinnikinnick Community Consolidated District 131 and Hononegah Community High School District 207; and,
- Freeport School District 145 with Dakota Community School District 201.

Effective Shared Transportation Services

After extensive communications by ISBE staff among the selected districts as well as their transportation contractors, the following common key factors and considerations emerged for an effective shared services agreement that produces quantifiable cost savings:

1. Dual districts that cover the same geographical area or are in close proximity;
2. Larger Unit Districts that are in close proximity with a smaller Unit District;
3. Coordination of different start and end times to ensure that staff and buses can be used multiple times;
4. Centralized staff and equipment;
5. Procurement of a joint contract among multiple districts at a cost that can be quantified significantly lower than if the districts were to procure separate contracts.
6. Consideration of potential bargaining unit issues due to changes in personnel duties per 115 ILCS 5 of the Illinois Educational Labor Relations Act.

Selected District Analysis

The districts selected are located in DuPage, Lake, Winnebago and Stephenson counties. All figures below reflect the total transportation costs derived from each district's 2012-13 Pupil Transportation Reimbursement Claim.

DuPage County

Bensenville School District 2 and Fenton Community High School District 100

Bensenville District 2, located west of O'Hare Airport, owns 17 buses and covers the same geographic area as Fenton District 100. This year, both districts are assessing the merits of shared transportation services. District 100 employs drivers who are available at times beyond the normal district routes operated. District 2 has reached an agreement with District 100 to use three of its drivers and buses when they are not needed, allowing District 2 to reduce its bus fleet and drivers by three. District 100 is paid proportionally for fuel, vehicle depreciation, and driver wages by District 2, resulting in savings and greater efficiency for both districts as reflected in the table below.

District	Costs Without Shared Services	Costs With Shared Services	Estimated Savings
Bensenville District 2	\$1,136,411	\$1,121,411	\$15,000
Fenton District 100	\$1,593,378	\$1,575,378	\$18,000

Lake County

Libertyville School District 70 with Hawthorn District 73 and Community High School District 128

Libertyville District 70, Hawthorn District 73 and Community High School District 128 are an example of three districts in a densely populated area with multiple districts that utilize the same contract for their transportation services. The transportation contractor stated that without a shared services agreement, each district could expect to see costs 15 percent higher if provided separately.

District	Costs Without Shared Services	Costs With Shared Services	Estimated Savings
Libertyville Dist 70	\$3,099,464	\$2,695,186	\$404,278
Hawthorn Dist 73	\$3,715,244	\$3,230,647	\$484,597
Cons HS Dist 128	\$3,219,119	\$2,799,234	\$419,885

Winnebago County

Rockton School District 140, Prairie Hill School District 133, Kinnikinnick Community Consolidated School District 131 and Hononegah Community High School District 207

Rockton District 140, Prairie Hill District 133, Kinnikinnick District 131 and Hononegah District 207 are four districts that cover two communities and provide transportation in a smaller area than the districts examined in Lake County. As in the Lake County example, these four Winnebago County districts utilize the same contract for their transportation services. The transportation contractor for these districts stated that without a shared services agreement, each district could expect to see costs increase at least 10 percent and even more so if the districts did not allow the contractor to transport students from their respective districts on shared routes.

District	Costs Without Shared Services	Costs With Shared Services	Estimated Savings
Rockton Dist 140	\$789,628	\$717,844	\$71,784
Prairie Hill Dist 133	\$269,748	\$245,225	\$24,523
Kinnikinnick Dist 131	\$868,118	\$789,198	\$78,920
Hononegah Dist 207	\$1,060,223	\$963,839	\$96,384

Stephenson County

Freeport School District 145 with Dakota Community School District 201

Freeport District 145 and Dakota District 201 have entered into a shared services agreement for the 2014-15 school year, with District 201 agreeing to allow District 145 to provide District 201's transportation. In this case, the districts adjoin each other but do not overlap. District 145 has assumed the lease payments for the buses in District 201 and has added District 145's Global Positioning System technology and student tracking, along with a new routing system that District 201 could not have purchased on its own. District 145 will receive a larger discount on fuel and offset some administrative and insurance costs from District 201.

District	Costs Without Shared Services	Costs With Shared Services	Estimated Savings
Freeport Dist 145	\$2,492,903	\$2,418,116	\$74,787
Dakota Dist 201	\$537,583	\$427,334	\$110,249

Conclusion and Recommendation

In the examples provided, savings are estimated as the districts have not been sharing services for a long period of time or the changes are being introduced this year. Contractors that bid for district transportation services understand that in preparing the bid if there is an opportunity to merge or share some of the services, those savings -- whether or not the districts bid together -- should be realized in a cost proposal as long as the districts are willing to share.

Whether districts own or outsource their transportation services, the options to enter into intergovernmental agreement with another district(s) or collaborate on a multi-district transportation contract can achieve varying levels of savings estimated at 10 to 15 percent as demonstrated by the examples provided in this study. Again, key factors such as geographic area, the number of districts willing to consider shared services, coordination of school day start and end times, staff and equipment as well as an assessment of the impact to bargaining unit contracts are critical components to an effective shared services arrangement.

It should be noted that potential savings through shared services agreements may be a detriment to districts in light of the current state reimbursement formula as it does not offer an incentive nor reward districts for efficiency. Districts desire to maximize their state reimbursement but may be penalized as their wealth offset or "qualifying amount" in the formula may exceed their lower transportation costs, resulting in the districts being reimbursed at the flat-grant, \$16-per-pupil rate. While outside the scope of this study, a more comprehensive review of the current transportation formula is needed.