

**State of South Carolina**  
**Office of the Governor**

---

**Student Transportation Services:  
Opportunities for Public-Private Partnerships**

**Request for Information**

**RFI #11-02**

**May 6, 2011**

## 1. Instructions

1. The Office of the Governor of South Carolina, working in coordination with the Department of Education, the Senate Finance Committee, and the House Ways and Means Committee, would like to receive responses to this RFI by May 27, 2011. Questions and responses should be submitted electronically to [jb@gov.sc.gov](mailto:jb@gov.sc.gov). Hardcopies will be accepted at the following address, provided they are received by the specified date:

Office of the Governor  
Attn: Student Transportation Services RFI #11-02  
1205 Pendleton St  
Columbia, SC 29201

2. The Governor's Office will share responses with the Department of Education, the Senate Finance Committee, the House Ways and Means Committee, and other relevant entities during the course of the review process.
3. Respondents may mark portions of their responses as confidential in accordance with South Carolina Code of Laws and Regulations. Guidance on the proper marking of your response can be found at:

[http://www.mmo.sc.gov/MMO/webfiles/MMO\\_Legal/Documents/FOIA\\_page.pdf](http://www.mmo.sc.gov/MMO/webfiles/MMO_Legal/Documents/FOIA_page.pdf)

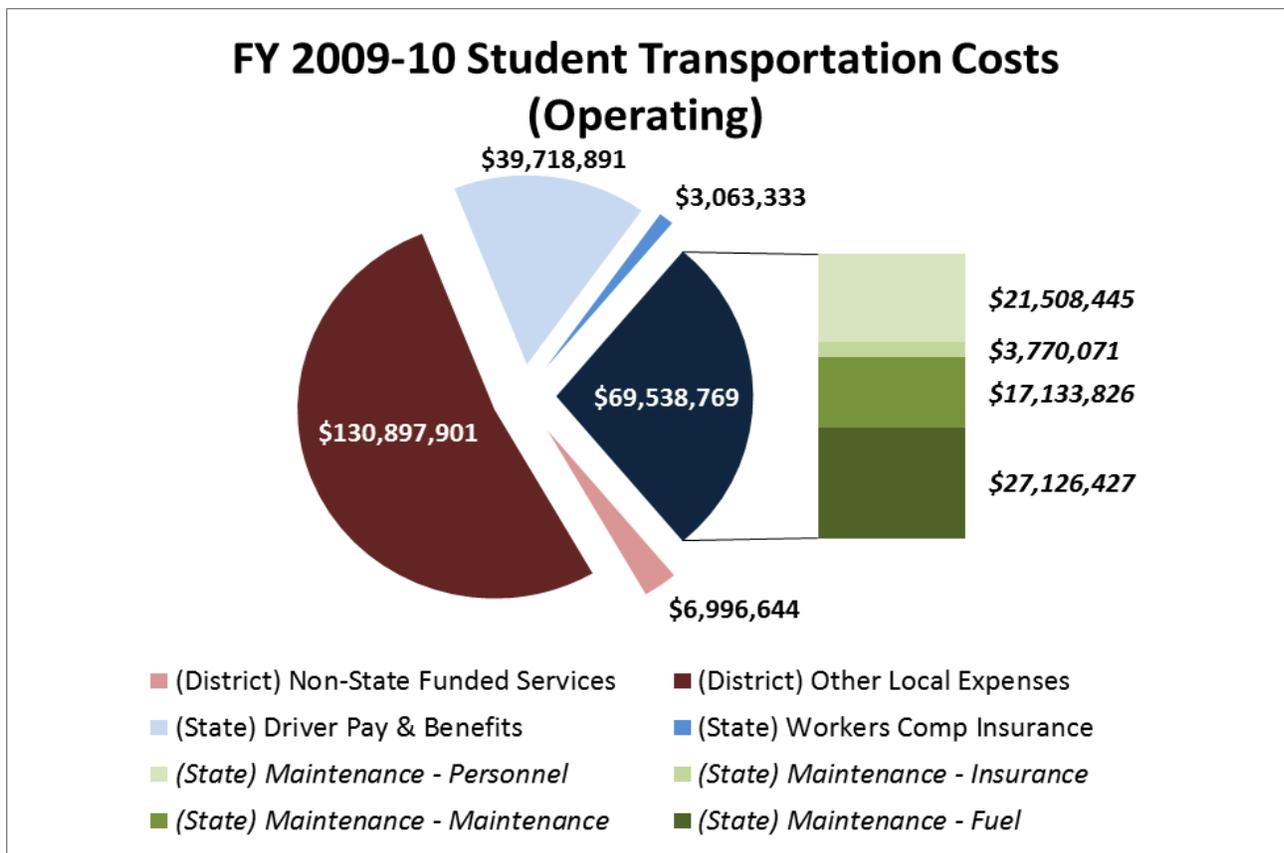
While this document is intended for vendor bids, the general guidance and references to statutes and rules are relevant to an RFI response.

4. This RFI is in reference to potential future Requests for Proposals (RFPs) for Public-Private Partnerships relating to Student Transportation Services. This RFI is issued solely for market research, planning, and informational purposes and is not to be construed as a commitment by the state to acquire any product or service or to enter into a contractual agreement.
5. Any costs incurred by a party in preparing or submitting information in response to the RFI are the sole responsibility of the submitting party.

## 2. Background

In South Carolina, overall responsibility for most student transportation resides with the State Board of Education, although critical roles are played at the county (46) and school district (85) levels. County school boards are empowered to “contract for any part or all of [their] transportation services with private individuals or contractors,” but have generally not availed themselves of this opportunity. Instead, most students are transported on state-owned buses by drivers who are employed by school districts, but partially paid through state subsidy.

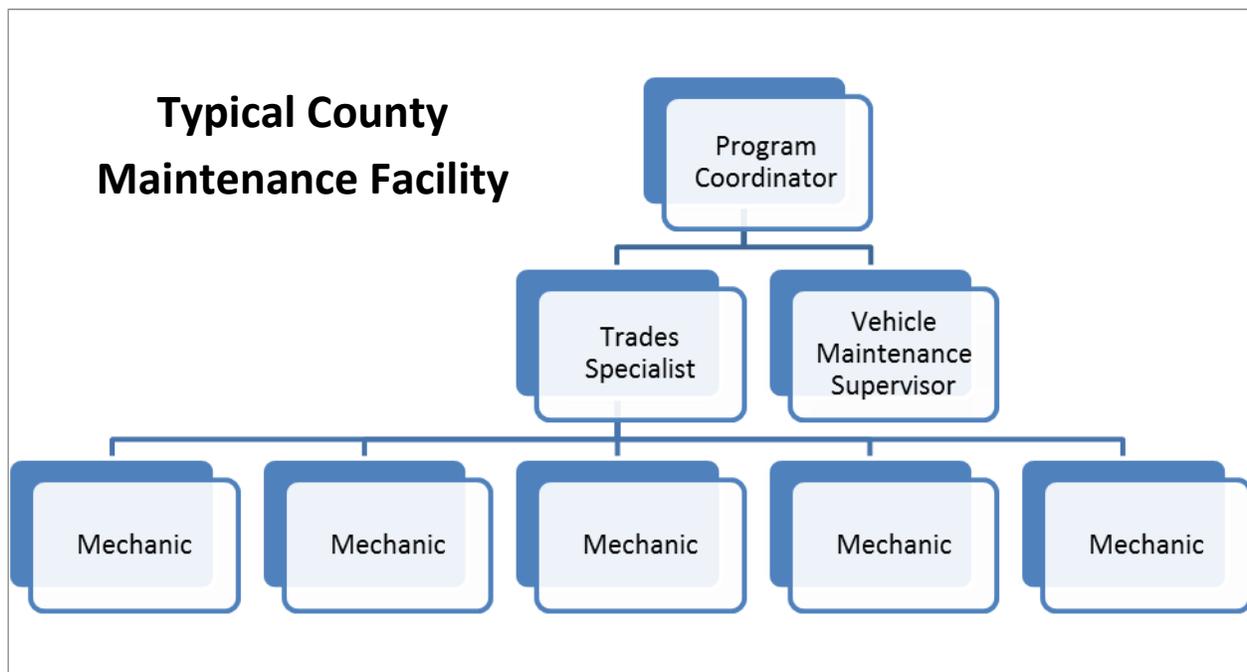
The state is also the primary funding source for fuel, maintenance, repair, vehicle and student liability coverage, and replacement of school buses. These services are generally provided at one of the 45 bus maintenance shops managed by the Department of Education (two of which also feature a body repair facility), although a private maintenance service provider plays a limited role. A central training center is located in Columbia. Several maintenance facilities are situated on parcels that have been leased to school districts on a long-term basis (and which the districts may have improved); in other cases, other state agencies (such as the Department of Mental Health) own the facilities that are used to maintain school buses.



In FY 2009-10, operating costs for student transportation services were just over \$250 million; this figure may not account for some local costs that may not be centrally captured. State funds represent 44.9% of this total, with the remainder coming from local sources. Only \$314,869 in state capital funds were expended for bus purchases in 2009-10, compared to \$28.4 million three years earlier.

At the state level, student transportation services are managed by the Office of Transportation within the state’s Department of Education. Four Area Supervisors report to the Office’s Director, as do the Business Manager and the employees who supervise District Services and Maintenance and Training Services. In turn, the Area Supervisors oversee the 45 bus maintenance shops. Most shops are headed by a County Supervisor, although in some cases, one supervisor will manage two sites.

The typical county maintenance facility is headed by a Program Coordinator (County Supervisor), who manages a Vehicle Maintenance Supervisor (Shop Manager / Clerk) and a Trades Specialist (Foreman). The foreman oversees the site’s mechanics and technicians. At present, roughly 310 technicians are managing the 5,700 buses under the state’s direct control. In the 2009-10 fiscal year, the state-owned fleet tallied up 80.7 million miles and 236.0 million route minutes. School districts own an additional 1,257 buses, of which 168 provide daily route service.



Current law provides that county boards of education that privatize student transportation services shall be subsidized by the state “on the basis of the average per pupil operating cost of State-owned equipment for the current year as determined by the State Board of Education.”

Each year, individual school boards must design any routes to be served by state-owned equipment, and have those routes approved by their county board of education, and the State Board of Education. As a practical matter, this work is generally carried out at the staff level.

### 3. Objective

Although a series of privatization studies culminated in partial outsourcings in Charleston and Beaufort, only the district’s responsibilities were privatized. Statewide reform has proven elusive. A pilot project to privatize maintenance services began in 2008, and is currently being evaluated by an outside contractor.

The state intends to use this RFI to gather information that will inform its efforts to expand the privatization of state and local student transportation services. Although the approach is subject to change, the state currently envisions a phased-in privatization with the following key features:

- The privatized model would be rolled out over a two or three-year period; certain areas (especially rural) may ultimately preserve some variant of the existing funding/operating model.
- Separate contracts would be awarded for each school district, county, or consortium. The state supports the regionalization of these procurements to the greatest practical extent. Local authorities may conduct these procurements autonomously based upon a state-prepared model RFP.
- Upon execution of each contract, the state would sell its inventory of buses serving that territory to the successful offeror. The contractor would be free to incorporate these vehicles into its fleet, or to sell/scrap them, at its discretion. Contractors would own and/or lease their own fleets. Districts would also divest their bus inventories, if the state’s funding model will allow for contractors to provide home/school trips and non-state supported service with a shared vehicle fleet.
- Contractors would operate buses for regular home/school trips, special needs trips, field trips, and summer school, and would price these separately in their proposals.

- The pricing model would provide an incentive for offerors to minimize operating costs, provided that no student’s regular home/school or special needs trip would exceed one hour in each direction (90 minutes is the statutory limit).
- Contractors would lease the state’s existing maintenance and repair facilities, and would perform most relevant work at those sites. This work could be subcontracted, with minimal limitations. The state is interested in receiving offeror’s suggestions to divest/realign maintenance facilities or otherwise reduce related costs, bearing in mind that significant inventories of parts and equipment (and fueling facilities) are associated with these sites.
- Contractors would establish bus routes, subject to school district approval.
- Contracts would contain performance standards with respect to safety, cleanliness, timeliness, etc.

## 4. Areas of Specific Interest

The State requests that vendors and other interested parties submit responses to the questions below. Respondents may choose not to comment on all questions, but should ensure that whatever input they provide is germane and clearly associated with these specific points. Please call attention to any suggestions or proposals that require changes to existing law or policy. Respondents may use as many pages as is reasonably necessary to answer the questions. As noted earlier, procurement activities may be managed at the local level. Relevant references below to “the state” may be read to refer to either a state or local procuring authority.

### Structure of the Procurement(s)

- To achieve economies of scale and reduce administrative costs, the state intends to combine some school districts together, and bid their transportation services as a single lot. What factors should the state take into consideration as it aggregates smaller districts together (for instance, population density)? Do you have suggestions as to how the boundaries should specifically be drawn between the individual lots? Also, how would contracts be managed, if a single procurement activity resulted in contracts for several districts?
- If the privatization effort is to be phased-in over the course of two or more years, are there certain areas that should be priorities for transition, and if so, why?

- Is there still time for contracts to be awarded that take effect in the 2011-12 school year? Do privatizations always take effect at the beginning of a school year?

### **Pricing Model**

- The state's overarching goal for standard morning/afternoon regular route service is to minimize cost without subjecting students to one-way rides of more than one hour (90 minutes is the statutory limit). How should the state instruct respondents to price these services so as to achieve this goal? The state's current intention is to ask vendors to submit bids for each lot on a fixed per-student, per-month basis, because this would (1) reduce administrative/billing costs and (2) provide contractors with an ongoing incentive to reduce costs. Please comment on this approach, and feel free to offer alternatives.
- How should the state instruct respondents to price other services, such as special needs transportation, summer school, non-state funded alternative programs (such as magnet or charter school transportation), activity buses, and other relevant services?

### **Operations**

- What opportunities would existing employees be given to retain their current (or similar) positions? How would they be evaluated? How often have incumbents been retained during similar transitions?
- Similar contracts issued by other public-sector entities have contained reserve requirements obligating contractors to have additional buses available at all times; often this factor is set at ten percent of the number of buses that the contractor requires in order to fulfill its daily route service obligations under the contract. Is this an appropriate means for the state to assure that services will be provided, and if not, what alternate mechanism would you propose?
- Depending on how school districts are organized into lots, certain contracts will apply to territories containing multiple maintenance facilities. How should the state evaluate opportunities to combine or eliminate facilities? How should maintenance and repair activities be performed and funded? Is there a realistic approach that would permit the state to divest itself of all its maintenance facilities?
- South Carolina's Emergency Operations Plan calls for the use of state buses and drivers in the event of a hurricane-related evacuation. How can student transportation services be outsourced in such a way that the state could continue to incorporate school buses – even if privately-owned – into its plan?

### **Taking Advantage of the State's Legal Status**

- The state purchases fuel in bulk and on a tax-advantaged basis, and would consider helping operators take advantage of these benefits, if that can be accomplished legally, practically, and without removing an operator's incentive to control fuel costs. What suggestions do you have for covering and controlling the costs of fuel?
- The state asserts its sovereign immunity above damage limits specified in law (SC Code Title 59, Chapter 67, Article 5). The state covers the costs of insurance below these limits; county and district boards must fund this same coverage for the buses they own or which are operated by their contractors. How can the state help contractors control insurance costs?

### **Measuring and Promoting Program/Performance Improvement**

- How can performance indicators be used as part of the overall operator compensation strategy, in order to create incentives to reduce costs and/or deliver outstanding service? What elements of an operator's compensation can/should be placed at-risk?
- What performance measures and other standards of service would you propose for incorporation into the contract?
- How can these contracts be structured and/or administered in order to promote continuous quality improvement?

### **Eliminating Federal, State, and Local Obstacles**

- What statutory, regulatory, and/or administrative changes would stimulate competition in the market for providing student transportation services?
- What changes to these rules would promote efforts to improve performance and/or control costs?

### **Promoting Innovation through Privatization**

- How else can private-sector business practices be used in order to improve service delivery, bolster customer service, and/or reduce costs?

## 5. Executive/Legislative Cooperation

The executive and legislative branches of government are working together to investigate opportunities to privatize student transportation services, as evidenced by the following language, which appears in the current draft of the FY 2011-12 General Appropriations Bill.

*1.87. (SDE: Transportation) In Fiscal Year 2011-12, and from appropriated or authorized funds, the Department of Education, the Senate Finance Committee, the House Ways and Means Committee, and the Governor's Office will work together to explore privatization of all or part of the state school bus transportation system while ensuring that all students are served and there are long term cost savings.*

This language is still before the Senate for consideration, and varies only peripherally from terms appearing in the bill that recently passed in the House of Representatives. Although it does not endorse any specific outcome, it underlines the General Assembly's desire to be an active and constructive participant in this process.