



September 9, 2020

MEMORANDUM

To: Members of the Board of Education

From: Michael J. Martirano, Ed.D.  
Superintendent

Re: School Bus Contracts

The purpose of this memorandum is to provide you with an update on the school bus contracts.

On, April 7, 2020, the Board authorized an amendment to the school bus contracts to address how bus contracts would be treated as a result of the Maryland State Department of Education (MSDE) suspending in-person instruction effective March 16, 2020. This amendment allowed bus contractor payments to continue at the normal route terms for time and mileage but less fuel costs given that the buses would not be running. The assumption at that time was that the suspension of in-person instruction would be short-term.

Since then, the COVID-19 pandemic has caused greater disruption than anticipated, and per the Board's direction, school instruction will remain virtual through the first semester of the 2020/21 school year. Consequently, there are two simultaneous objectives with our bus contractors that must be attained.

1. Their businesses must remain viable during the first semester. This is in our long-term interest.
2. This must be done in a fiscally responsible manner. Our school system has just undergone a very difficult FY 2021 budget due to fiscal pressures and declining revenues. Further, the Board was recently provided a memorandum outlining the fiscal impacts and increased costs the COVID-19 pandemic will place on our budget for the first part of FY 2021. We are estimating incurring at least \$15 million of added costs through the first semester. While CARES funding has been critically important to help offset some of these costs, it does not cover them all. Additionally, there remains a great deal of economic uncertainty and the Governor's potential need to cut state funding to schools looms as a risk.

In recognition of this difficult context, we do not have the capacity to treat bus contractors the same way as we did during the spring. Therefore, I tasked staff to develop a creative approach that balances the objectives of being fiscally responsible and treating the contractors with the full recognition and understanding that they also have budgets to balance.

We have proposed to the bus contractors that they be compensated using a two-prong approach.

1. First, for all routes that are assigned and activated, contractors will be paid according to the terms of the bus contract. We do anticipate assigning and activating routes to meet the transportation needs for special education and small group instruction. The exact number of routes will be determined once we know the level of participation from parents who chose to opt into this instruction. However, we know that the number of routes activated is likely to be much lower than the total 478 routes contracted for.
2. Therefore, we have proposed to pay contractors 75 percent of the guaranteed minimum contract amount for routes that are not assigned and activated. The intent of this payment is to provide all contractors a floor level of earnings through the first semester so that they remain viable and we can retain their services.

The 75 percent retainer payment will be paid in two phases.

1. The first phase equals 95 percent of the total amount which will be paid out in equal bi-monthly installments from September through January.
2. The second phase equals 5 percent of the total amount and will only be paid once the contractor resumes providing normal route services when needed for the 2020/21 school year. The time when normal route services begin will be the start of the second semester, or when otherwise determined by the Board. This holdback percentage provides incentive for the contractors to ensure viability so that they return when we need them. These terms have been outlined in a proposed Second Amendment that would remain in effect until January 28, 2021, or until such time the Board determines normal instruction resumes during the 2020/21 school year. Staff will present the amendment for the Board's approval at the September 10, 2020 meeting.

This approach, which reasonably balances fiscal pressures and contractor viability, differs from how other school districts with contracted school bus services revisited their spring amendments. Many of those districts did not change terms substantially. It should be noted that some of those districts pay lower rates than us. Additionally, we are aware that certain districts which employ their bus drivers, including Frederick County, have furloughed drivers. Our approach recognizes it requires sacrifices on the part of our bus contractors. We do not desire to put them in this difficult position and would not do so were it not for the fiscal strains that have been placed on our school system. We are appreciative of our relationships with the contractors and thankful for them working with us on this amendment.

We will continue to work closely with the school bus contractors to ensure federal and state regulations are met (school bus inspections, training, drug and alcohol testing, monitoring driving and criminal justice records, etc.), and that we collaborate on driver recruitment efforts since it is expected that our system will follow the trend of districts throughout the United States, who have experienced a loss of drivers. Additionally, we will ensure that bus transportation for our students will meet the COVID-19 health and safety guidelines.

If you have any questions, please contact Scott W. Washington, Chief of Operations.

Copy: Executive Staff  
Board of Education Office