

New York School Bus Contractors Association

Testimony
Joint Legislative Hearing on Education
2016-2017 Executive Budget

Our Priorities...
Safely Transporting School Children,
Protecting Working Men and Women,
Helping School Districts Manage Their Budgets.

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nysbca.com
January 27, 2016

Good afternoon. My name is Michael Martucci; I am the President of the New York School Bus Contractors Association and an owner of Quality Bus Service, which is headquartered in Sparrowbush, New York.

I want to thank Chairwoman Nolan, Chairman Marcellino and all the members of the joint education budget committee for allowing the New York School Bus Contractors Association the opportunity to present an overview of our budget recommendations for 2016-2017.

We are here today, in an unprecedented show of solidarity, testifying jointly with the Amalgamated Transit Union Local 1181 and their Vice President, James Hedge...we are thankful to the committee for allowing us to do so.

The New York School Bus Contractors Association and Amalgamated Transit Union Local 1181 are here today supporting a package of needed reforms that will help school districts better manage their budgets, protect working men and women, and most of all ensure the safe transportation of our school children.

These reforms will fix a failing economic index school districts currently use for transportation contract extensions, restore employee protections for New York City school transportation workers, and prevent school districts from paying the sales tax on new school buses.

We are here, not asking for an increase in spending, instead we are here **"together"** with labor to inform the legislature of problems facing the entire industry and providing solutions that will actually put money back into the state budget.

Before I get into our budget recommendations, I would like to provide a brief overview of the private school transportation business in our state.

The New York School Bus Contractors Association comprises nearly 100 pupil transportation companies, has over 50,000 employees and approximately 80 percent of them are members of a union.

New York's school bus operators provide safe, reliable pupil transportation services for nearly 60 percent of the 2.3 million children riding a yellow bus each day. We do this with nearly 30,000 school buses.

School bus operators currently help reduce pupil transportation costs in New York by more than \$200 million dollars each year, with school districts like Manhasset on Long Island saving over \$1 million a year – money they are putting back into the classroom. We also pay over \$1.5 billion in property taxes each year.

2016-2017 Budget Recommendations

Now I'd like to discuss our budget recommendations.

The single biggest budgetary problem facing private school transportation services is the use of the Consumer Price Index or (CPI) as a price cap during annual contract extensions.

Relying on the CPI twenty years ago made sense when the cap average was around 3%, but today CPI creates serious problems for contract extensions because it has hit zero more times than we can withstand in the last few years.

It's impossible to run a business, honor labor contracts and maintain our fleets with a zero percent increase on an annual basis. This year, the number is hovering near zero again, creating a very difficult situation.

Our costs continue to increase, while the CPI is in a downward trajectory. Healthcare costs have skyrocketed over the last decade, going up 6% per year on average, while the CPI is dropping to near zero.

The CPI measures the buying habits of people associated with the cost of food, housing, apparel, recreation, etc. – none of which are cost factors in school transportation contracts.

The CPI is just not an appropriate index for a school transportation company – our industry is not based on the cost of food or recreation, it is based predominantly on labor (65% of our costs are labor), we need an index that factors in labor.

Quite simply, the CPI no longer works for school transportation.

This year, we are proposing the legislature and governor empower school districts to use the Employment Cost Index or ECI instead of the CPI. The Employment Cost Index details the cost of labor for businesses in the US economy and, like the CPI, is prepared by the US Dept. of Labor's Bureau of Labor Statistics.

The failure of the CPI as an economic indicator for the school transportation industry was forecasted by Pace University by in 1998. A study done by Pace

University found that using the CPI index for school transportation contract extension caps was economically infeasible, and recommended legislative action to reform the practice of capping contract extensions on the CPI. It is almost twenty years later, and things have only gotten worse.

The Pace University study predicted our current situation. We are beginning to see companies struggle, and even file for bankruptcy as one of New York's largest school transportation providers did in 2013; it later went out of business. Some companies are using school buses longer than they should, and many companies are unable to increase wages or invest in necessary equipment.

Switching from the Consumer Price Index to the Employment Cost Index for school transportation is the smart thing to do for our school districts, labor and school bus operators.

The New York State legislature is on a 20-year cycle when it comes to improving the law for school transportation services.

1976 marked the passage of the current law that allows the CPI to be used for school transportation contract extensions. 1996 was the year the legislature and Governor passed the Request for Proposal law allowing schools to use RFP's for school transportation services, and here we are today, 2016, 20-years later and faced with decades of an aging and outdated method for determining contract extension caps.

2016 is the year to finally fix this problem. It is an easy fix.

Here are some facts regarding the CPI and ECI:

- The CPI rate has been declining over the last three decades
- If you look at the last 10 years, the average dropped from 2.7% during the first five years to 1.6% during the last five years
- In the 80's the CPI average was (5.5%), 90's and 2000's (3%), this decade (1.6%)
- The 10 year average for the CPI is 2.3% vs. 2.4% for the ECI – essentially no difference, except the Employment Cost Index has almost no volatility – it's consistently at around 2.4%
- 2006 - CPI spiked to 4.8%, ECI was 3.3%
- 2008 - CPI spiked to 4%, ECI was 2.5%
- 2009 - CPI bottomed out at 0%, ECI was 1.4%
- 2015 - CPI bottomed out at 0%, ECI 2%

Bloomberg Business Week recently highlighted that even the Federal Reserve recognizes that the CPI is too volatile and is by all accounts an outdated indicator, and is looking at alternative measures.

Why is the Employment Cost Index better than the CPI?

1. It's less volatile than CPI by cutting out the highs and lows
2. A better budgetary predictor for the state and school districts
3. Still controls costs – the 10 year average of the CPI and ECI are very close 2.3% to 2.4%
4. Finally, the Employment Cost Index is a more timely index, the number is available before the state and school budgets are developed

Pivoting away from the CPI issue, our Association is once again supporting a sales tax exemption for school buses, it's a useless tax that is paid by school districts and the state. Coach buses, airplanes, luxury boats, racehorses are all exempt from the sales tax – it's silly that school buses are not.

Finally, this year we are working with our partners in labor to amend state law to allow for the inclusion of employee protection provisions in school transportation contracts in New York City. It is an important initiative that protects workers and provides us with a stable, reliable and safety-conscious workforce.

We can't do any of this without our partners in labor...and we are here today, in an unprecedented show of solidarity, testifying together for the first time in history for key reforms that will help school districts better manage their budgets, support the hard working men and women of our industry, and keep our school bus the safest in the nation.

Thank you again for allowing us to jointly testify with ATU 1181.

We look forward to working with all of you, I now have the privilege of turning over the remainder of my time to James Hedge, Vice President of the Amalgamated Transit Union Local 1181.

