New York School Bus Contractors Association

Testimony
Joint Legislative Hearing on Education
2017-2018 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
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Good afternoon and happy Valentine's Day.

My name is Michael Martucci; I am the President of Quality Bus Service in Sparrowbush, NY and President of the New York School Bus Contractors Association.

The New York School Bus Contractors Association is an organization whose members transport nearly 60% of the children riding a yellow school bus in New York each day...and our members help our school district partners and New York State save over $200 million each year.

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 2017-2018.

We are here today, testifying jointly with the Amalgamated Transit Union Local 1181. We appreciate their partnership and all the support from the AFL-CIO, numerous school transportation unions and school districts from across the state.

We are supporting a package of needed reforms that will help school districts better manage their budgets, protect working men and women, reduce the cost of school transportation in New York State, and most of all ensure the safe transportation of approximately of the 1.2 million children that we transport each day.

I want to begin by thanking the Senate and the Assembly for passing our school transportation reform package last session. The initiative received tremendous bi-partisan support in both houses...unfortunately the Governor vetoed the legislation, but we are encouraged by his veto message and have made changes to the initiative.

This year's proposal, like last year, provides for the use of the Employment Cost Index instead of the Consumer Price Index for Urban Areas as a cap on contract extension negotiations. This year the CPI is spiking to well over 2% already from its low of zero, and the ECI is trending downward toward its historical average and sits at 2.2%

We are also again calling for the repeal of the sales tax on school buses, which will prevent the state and school districts from paying sales tax as a portion of school transportation contracts in our state.

Finally, we are again supporting the reinstatement of the employee protections for New York City school transportation workers, which were removed by the Bloomberg administration.

As I mentioned, the Governor vetoed our reform package in November of last year, citing his desire that the legislation be addressed within the context of this year's budget negotiations. We agree with the Governor on that point and are here today to offer the necessary changes to address the Governor's veto concerns.

Contrary to the veto message, our proposal does not authorize any new cost increases to the 2017-18 Executive Budget, instead it reduces costs and provides school districts who use contractors the ability to better manage their budgets. Current law is more likely to cause an increase in spending given the changing economic factors with the Consumer Price Index.

The changes we are proposing will actually provide the state, school districts and the City of NY the ability to better control costs.

First, exempting school buses from sales taxes means school districts and the state will no longer pay the tax as a portion of school transportation contracts – this saves taxpayers $14 million annually. If we don't have to pay it, we don't have to charge school districts and the state – it is that simple.

Second, under current law the CPI-U is spiking as we said it would, it is now 2.1% up from 0% just over a year ago. Economic forecasters are projecting the CPI-U will move even higher while the Employment Cost Index (ECI) will remain somewhere around its average of the low 2's.

School districts will benefit from using the ECI instead of the CPI-U for contract extension negotiations because it removes a great deal of volatility. Districts will have greater leverage especially in times when the CPI-U spikes above 2% or bottoms out at or near 0%.

As we have said from the beginning, the ECI is a superior index because it is less volatile. Now as the CPI-U begins spiking from 0% to over 2% it is clear that the less volatile ECI is the better index for school districts to use.

Finally, Employee Protection Provisions are not the trigger for cost increases, on the contrary, it is the normal bidding process which will ultimately lead to normal increases. The Employee Protections merely provide that the industry consider displaced school transportation workers and provide them competitive remuneration.

So, contrary to the items contained in the administration's veto message, our proposals will have a more positive impact on the state budget than current law, and have greater potential to save tax dollars.

These reforms will prevent the state and school districts from paying the sales tax on school buses, control contract costs by fix a failing economic index school districts currently use for transportation contract extension negotiations, and finally restore employee protections for New York City school transportation workers.

We are here, not asking for an increase in spending for school transportation, instead we are here with labor to inform the Legislature of the problems facing school districts and private school transportation companies and providing smart budget solutions that will help control spending and save taxpayers money.

...and just for the record, to my knowledge, our Association has never called for an increase in state spending for school transportation.

Thank you very much for your time today.

We are here to help, so please do not hesitate to call upon us.

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Key Facts:

- The10 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%

- 2016 – CPI-U beginning to spike to 2.1, ECI is holding steady at around 2.2

- 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

- The Employment Cost Index (ECI) is less volatile than CPI by cutting out the highs and lows

- The ECI is better budgetary predictor for the state and school districts that comes out in January, not June well after school budgets are approved

- Still controls costs – the 10-year average of the CPI and ECI are very close 2.3% to 2.4%

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