

LEGISLATIVE REPORT

- SUBJECT:** Relating to the State Budget.
- REFERENCE:** Act 213, SLH 2007 (HB 500, HD1, SD1, CD1, Section 78)
- ACTION REQUESTED:** Report on student transportation services including yearly projections on revenues and expenditures, and cost saving measures.
- DOE REPORT:** The Student Transportation Services Branch provides school bus transportation services to approximately 40,000 students. The branch currently administers 99 contracts with 11 bus contractors to provide and operate approximately 850 school buses statewide. The branch independently operates its own buses in the West Hawaii district. The branch currently consists of 7 office personnel, 8 district transportation officers, and 8 bus drivers.

Summary of Fiscal Year 2007-08

By calculating the gross costs per day per contract as of July 1, 2007, the branch will spend at least \$43.4 million in bus contract expenses this year. Our increase in contract expenses for this fiscal year is approximately 19 percent as previously projected. Additional expected expenditures for this fiscal year are: overdue invoices incurring penalties, UPW wage increases, fuel cost adjustments for FY 05-06 and FY 06-07, unforeseen bus routing modifications, and filling of vacant positions.

Projected Shortfall for FY 07-08

It is projected that a shortfall of \$2.7 million is expected this fiscal year (see Exhibit A). Expenses for past annual fuel adjustments were not estimated in previous projections. As these fuel adjustments are currently being worked on, the projections are estimated for a worst-case scenario. We will have a better sense of an actual outcome by February 2008.

Projections for FY 08-09

It is projected that appropriations versus expenditures for fiscal year 2009 will result in a shortfall of approximately \$7.1 million (see Exhibit B).

Community growth. It is assumed that growing communities throughout our state will increase the demand for student transportation. On the other hand, it may be stated that the growth will only spread existing numbers of students geographically without increasing demand. If so, utilizing the same amount of buses during geographical growth would require the consolidation of routes that will compromise student safety due to overloading buses and increase the amount of late arrivals to schools and home.

Increase in fuel costs. It is safe to assume that fuel cost will rise steadily according to current trends and indicators. This will increase our annual fuel cost adjustments and account for higher base bids for future contracts.

Cost Savings Measures

1. Timely Processing of Contract Payments. We will initiate enhancements to the current method of processing contractual payments on a timely basis to eliminate late payment penalties. We've identified steps to eliminate within the current process that will increase our efficiencies to process all payments within 30 days from the date of receiving invoices. (Short-term)
2. Evaluate and Restructure Bus Routes for New Contracts. Our transportation officers will attempt to restructure bus routing requirements for new contractual bids in an effort to minimize total mileage usage of bus routes. Any decrease in routing mileage decreases our fuel cost expenditures. (Short-term)
3. Lowering Expenses for Monthly City Bus Passes. Monthly City bus passes are purchased to provide transportation services for students who have met the requirements to receive free passes. We

currently spend approximately \$16,000 per month. We will attempt to negotiate a reduced fee with the City. (Short-term)

4. Implementation of a Web-based Bus Application Processing System. We are currently developing a new web-based bus application process for all schools to utilize. The new system will reduce the amount of hours currently required of school personnel. The first phase of the system is scheduled to be implemented before the start of SY 08-09. (Long-term)

5. DOE Operated Buses versus Contracting Services in West Hawaii. It was initially projected that DOE-operated student transportation services would eventually result in reducing our expenses in the future. The rising costs of fuel and a steady increase in bus maintenance have exceeded expectations. We are currently in our third year of operating the bus fleet. Assessment will be conducted at the end of this fiscal year when actuals are posted. A more concise report for the 4th and 5th years' projections will be generated at that time. (Long-term)

EXHIBIT B
Act 213, SLH 2007, Relating to the State Budget
(HB 500, HD1, SD1, CD1, Section 78)

Office of School Facilities and Support Services
Student Transportation Services Branch
Projections: Fiscal Year 2008 - 2009

ESTIMATED APPROPRIATIONS

19097	STUDENT TRANS GENERAL FUND	\$	49,743,425		
32600	SCHOOL BUS REVOLVING FUND (Income from Transportation Fees)	\$	2,000,000		
		\$	51,743,425	\$	51,743,425

PROJECTED EXPENDITURES

BUS CONTRACTS FY 07-08 (FY 07-08 minimum + 20%)	\$	52,153,200		
ADMIN & OVERHEAD EXP (FY 07-08 Estimate + 3% CPI)	\$	846,738		
PROJ EXP AGAINST REVOLVING FUND (FY 07-08 Estimate + 3% CPI)	\$	708,099		
EST WAGE COST INCREASE (Cost Eff March 1, 2008 + 4% Eff July 1, 2008)	\$	53,144		
FILLING OF VACANT POSITIONS (2 BUS DRIVERS, 1 CLK TYP, 1 ACCT CLK)	\$	71,000		
EST CITY BUS PASS PURCHASES (FY 07-08 Est + 3% CPI)	\$	66,435		
PAYMENT OF CARRYOVER DEFICIT FROM FY 07-08	\$	2,698,377		
OTHER ESTIMATED EXPENSES (See Below)	\$	2,292,508		
	\$	58,889,502	\$	58,889,502
			CARRYOVER/(SHORTFALL)	\$ (7,146,077)

OTHER ESTIMATED EXPENSES - DETAIL

EST FUEL COST ADJUSTMENT PAYMENTS FOR FY 07-08 (FY 06-07 + 3% CPI)	\$	849,564
ESTIMATED BUS PASS PRINTING EQUIPMENT SUPPLIES FOR FY 09-10	\$	100,000
INCREASE IN BUSES FOR UNFORESEEN DEMAND (FY 07-08 + 3% CPI)	\$	1,342,945
	\$	2,292,508