

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 107 contracts with 12 bus contractors to provide and operate approximately 830 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 7 bus drivers.

Summary of Fiscal Year 2008

The Student Transportation Services Branch expended \$47.2 million in fiscal year 2008. \$45.7 million, or 97 percent of the total expenditures, was paid for contractual costs. Contractual costs include the following:

- School bus services for fiscal year 2008
- Invoices for services rendered in fiscal year 2007
- Annual fuel cost adjustments
- Periodic wage adjustments
- Addition of buses to existing contracts

Projected Shortfall for Fiscal Year 2009

The branch is projecting a budget shortfall of \$12.9 million for fiscal year 2009. The shortfall was attributed to new bus servicing contracts that took effect on July 1, 2008, annual fuel cost adjustments, payments for services rendered in fiscal year 2008, periodic wage increases, and the implementation of additional buses to existing contracts to meet ridership demands.

Projections for Fiscal Year 2010

It is projected that expenditures may total \$68.9 million in fiscal year 2010 if existing trends are maintained. Existing school bus contracts carried over to fiscal year 2010 will amount to \$49.5 million at minimum. An additional \$15.1 million is projected for new contracts based on the cost-trends of contracts awarded for fiscal year 2009. Projections of payments for prior year's services, annual fuel cost adjustments, and administrative costs were based on an annual increase of 3 percent.

Appropriation for fiscal year 2010 was not available at the time of this report.

Fuel costs, current economic hardship, contractor employee retention, and minimal contractual competition are cost factors in the increases for school bus services.

Cost Savings Measures

1. Routing Software. Purchase of a transportation routing software that will provide a systematic ability to analyze existing bus operations and identify areas for routing adjustments to reduce school bus servicing costs.
2. Restructuring Bus Routes. Assess and adjust current bus routing assignments towards fulfilling available seats to maximize bus capacity. Maximizing capacity may reduce the number of buses needed resulting in a reduction in costs.
3. Walking Distance. Increase the walking distance for secondary students (grades 6-12) from one mile to 1.5 miles unless it is deemed unsafe by the department (Modification to HAR Chapter 27). This is dependent on approval by the Board of Education.
4. Increase Bus Fare. Increase student transportation fees (Modification to HAR Chapter 27). This is dependent on approval by the Board of Education.

STUDENT TRANSPORTATION SERVICES BRANCH

ORG ID: 72500

Fiscal '09 Budget Projected Shortfall

PROG ID	PROG DESCRIPTION	FY09 ALLOCATION
16732	Hawn Language Immersion Program	51,910.00
19097	Student Transportation	47,439,696.00
Total FY09 Allocation:		47,491,606.00

PROJECTED EXPENSES FY09	
Bus Contracts FY09 (includes 3-1-09 wage increase)	56,088,558.00
Bus Contracts Paid for Services Rendered in FY08	1,540,367.00
Annual Fuel Cost Adjustments for FY08	1,247,665.00
Administrative Costs (FY08 + 3%)	1,563,635.00
Total FY09 Expenses:	60,440,225.00

FY09 PROJECTED SHORTAGE OF GEN FUNDS: -12,948,619.00

STUDENT TRANSPORTATION SERVICES BRANCH

ORG ID: 72500

Fiscal '10 Budget Projection

*Appropriation for ORG 72500 was not available at the time this report was generated.

PROG ID	PROG DESCRIPTION	FY09 ALLOCATION
16732	Hawn Language Immersion Program	0.00
19097	Student Transportation	0.00
Total FY10 Allocation:		0.00

PROJECTED EXPENSES FY09

Bus Contracts (Carry-over existing FY09 contracts - minimum costs)	49,455,232.00
New Bus Contracts (Projected expense for new contracts)	15,055,500.00
Projected Bus Contracts Paid for Services Rendered in FY09 (FY08 + 3%)	1,586,578.01
Projected Annual Fuel Cost Adjustments for FY09 (FY08 + 3%)	1,285,094.95
Projected Administrative Costs (FY09 + 3%)	1,610,544.05
Total FY09 Expenses:	68,992,949.01

FY10 PROJECTED BUDGET OUTCOME: -68,992,949.01