

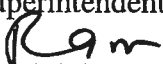


STATE OF HAWAII  
DEPARTMENT OF EDUCATION  
P.O. BOX 2360  
HONOLULU, HAWAII 96804

OFFICE OF SCHOOL FACILITIES AND SUPPORT SERVICES

March 30, 2012

TO: Ms. Kathryn S. Matayoshi  
Superintendent

FROM:   
Randolph G. Moore  
Assistant Superintendent

SUBJECT: Student Transportation – Next Steps

This memorandum is organized in three sections:

- Potential operational changes - #1-15 on pages 2-4.
- Potential contract changes - #16-26 on pages 5-9
- Potential changes in practice - #27-34 on pages 10-13

The greatest savings are expected from item #27 on page 9 of the attached table. We believe annual savings of between \$12 million and \$15 million are achievable if DOE includes an option to bus contractors to lease their vehicles from DOE. DOE would determine how many buses contractors desired to lease, would obtain the buses by lease, and sublease them to contractors.

KSM:RGM:ck

Attachment

c: Student Transportation Branch

<b>Operational changes</b>					
<b>Action</b>	<b>How to do it</b>	<b>Timetable</b>	<b>Likely results</b>	<b>Desirable?</b>	
1	Stagger school hours.	Analyze school complexes to determine where staggered school hours could increase the number of routes individual buses could service, reducing the number of buses needed. Discuss with individual school administrators of potentially affected schools, who in turn would discuss with staff and parents. DOE will need to determine whether to allow schools to choose to change their school hours, or whether DOE will mandate the change. Will require consult-and-confer with unions.	Complete by Dec. 31, 2012.	Likely to result in savings, but amount is not yet quantifiable.	Yes, although there is likely to be push-back from parents and school staff.
2	Combine age groups on the same bus.	Identify routes that could be combined if different age groups could be combined on buses	Complete and implement by June 30, 2012	Will result in savings, but amount is not yet quantifiable.	Yes, although some parents, students, and school staff may complain
3	Establish collection points (bus depots)	Identify points where students could be required to congregate to catch the bus, instead of having bus stops in neighborhoods.	Complete and implement by June 30, 2013	Likely to result in savings, but amount is not yet quantifiable.	Yes, although some parents and students may complain.
4	Establish student pick-up and drop-off collection points	Identify points where students could be required to congregate (not more than the qualifying distance from home to collection point) to reduce the route length and time and increase the number of routes a bus could serve.	Complete and implement by June 30, 2013	Likely to result in savings, but amount is not yet quantifiable.	Yes, although some parents and students may complain
5	Consolidate routes	Analyze ridership and determine how routes could be consolidated.	Ongoing.	Savings, net of the idle bus charge that continues for the balance of the remaining contract, is about \$300 per school day.	Yes.

Action	How to do it	Timetable	Likely results	Desirable?
6	Eliminate routes	Review previous work, discuss with City.	Savings, net of the idle bus charge that continues for the balance of the remaining contract, is about \$300 per school day.	Yes
7	Increase fares	Send recommendation for fare increase to BOE, which has final approval authority.	Likely to result in savings, because higher fares will reduce demand, reducing the number of buses.. An increase of 10% would increase revenue by \$300,000, assuming no reduction in paid ridership	No; school bus fare is now equal to City bus youth fare and should for equity be tied to City bus youth fare.
8	Eliminate free fares and free school bus passes	Send recommendation to BOE for amendment to Chapter 8-27, HAR. Requires public hearing, approval of governor.	Any time, although DOE does not recommend this. It would probably take six months to amend the administrative rule, which must be done before the free fares could be eliminated.	No; this is likely to increase both absenteeism and school drop-outs.
9	Increase qualifying distance	Send recommendation to BOE for amendment to Chapter 8-27, HAR. Requires public hearing, approval of governor.	Any time. It would probably take six months to amend the administrative rule, which must be done before the increased qualifying distance could be implemented.	Yes

	<b>Action</b>	<b>How to do it</b>	<b>Timetable</b>	<b>Likely results</b>	<b>Desirable?</b>
10	Have common waiver days	Directive from Superintendent	Not needed at this time; there are currently no waiver days.	Already realized.	Yes
11	Review the need for transportation services, both home-school-home and intra-day, for special needs students	Student transportation manager meets with student services coordinators to review criteria for transportation services	Has begun, complete by May 20 for all districts; conduct annually	There will be savings, but the amount is not yet quantifiable.	Yes
12	Review the need for aides on every special ed bus	Student transportation manager meets with student services coordinators to review criteria for transportation services	Complete by May 20 for all districts; conduct annually	There will be savings, but the amount is not yet quantifiable.	Yes
13	Identify students needing curb-to-curb service whose parents may be willing to drive them and be reimbursed for mileage	Student transportation manager meets with student services coordinators to review criteria for transportation services	Complete by May 20 for all districts; conduct annually	There will be savings, but the amount is not yet quantifiable.	Yes
14	Identify students needing transportation services who could be accommodated on regular school buses.	Student transportation manager meets with student services coordinators to review criteria for transportation services	Complete by May 20 for all districts; conduct annually	There will be savings, but the amount is not yet quantifiable.	Yes
15	Identify students needing transportation services, including intra-day services, who could be transported by taxi	Student transportation manager meets with student services coordinators to review criteria for transportation services	Complete by May 20 for all districts; conduct annually	There will be savings, but the amount is not yet quantifiable.	Yes

<b>Contract changes</b>					
<b>Action</b>	<b>How to do it</b>	<b>Timetable</b>	<b>Likely results</b>	<b>Desirable?</b>	
16	Negotiations with individual bus contractors to reduce current contract costs	Engage in immediate negotiations with individual bus contractors	Negotiating with contractors who are willing to cooperate will be completed by June 30, 2012.	Likely to result in savings, but amount is not yet quantifiable. Certain contractors have indicated a willingness to cooperate.	Yes
17	Extend the maximum allowable bus age	<ul style="list-style-type: none"> <li>* Maximum age provision was eliminated in contracts effective 7/1/12.</li> <li>* Will change in future contracts to 20 years for Type I buses and 15 years for Type II buses..</li> <li>* Negotiate amendments to each existing contract; amounts will vary by contract based on age of buses currently used.</li> </ul>	Negotiating with contractors will be completed by June 30, 2012.	Likely to result in savings, but amount is not yet quantifiable.	Yes
18	Reduce or eliminate the standby bus requirement.	<ul style="list-style-type: none"> <li>* Standby bus requirement was eliminated in contracts effective 7/1/12.</li> <li>* Will include requirement in future contracts without specifying how many.</li> <li>* Negotiate amendments to each existing contract; amounts will vary by contract based on each contractors situation.</li> </ul>	Negotiating with contractors will be completed by June 30, 2012.	Likely to result in savings, but amount is not yet quantifiable.	Yes
19	Eliminate contract price adjustment for wages and eliminate CPI adjustment for bus component of contract price, change the CPI to "CPI-U, US City Average, all items less food and energy."	Discuss with contractors. Change these provisions in future contracts. Instead of the three adjustments in current contracts, there would be two adjustments in future contracts: one adjustment for fuel, and a CPI adjustment for all components of the contract amount except fuel and bus. The CPI would be "CPI-U, US City Average, all items less food and energy."	Incorporate in solicitations for bids for contracts that would begin July 1, 2013.	Unknown. If contractors view the current language as beneficial, they may increase their initial year bid prices knowing annual adjustments will be lower.	Yes.

	<b>Action</b>	<b>How to do it</b>	<b>Timetable</b>	<b>Likely results</b>	<b>Desirable?</b>
20	Allow contractors to determine routes, bus sizes, and number of buses	<p>The savings that are possible by allowing contractors to determine routes (which in turn determines the number of buses and bus sizes) can be achieved with routing software and accurate student addresses. Current limitations are (a) we don't have the software, (b) too many student addresses are not "mappable" in a GIS, (c) our transportation officers do not have the time to monitor this.</p> <p>To overcome the limitations, we will (a) acquire software and (b) request a doubling of the transportation officer staff so the (i) student addresses can be corrected immediately and (ii) we can monitor contractor-initiated changes in routes and pickup times.</p>	<p>Target for acquiring routing software is Oct 1, 2012.</p> <p>Target for additional staff to start not later than Jan 1, 2013.</p> <p>Will be implemented for existing contracts through adjustments in mileage and number of buses, as provided in the contracts. Need to see how this works before changing the language in new contracts, so implementation, if any, in new contracts would be for those effective July 1, 2014.</p>	Likely to result in savings, but amount is not yet quantifiable.	Yes, under DOE control
21	Include charters in the contract	Discuss with contractors. Would need to be incorporated in bids as a separate bid item, with an assumed usage so that total bid amounts could be compared.	Can only be done for new contracts. If desirable, could be included in solicitations for contracts that would be effective July 1, 2013.	Will eliminate competition for charters, to the possible detriment of schools.	Probably not.

	<b>Action</b>	<b>How to do it</b>	<b>Timetable</b>	<b>Likely results</b>	<b>Desirable?</b>
22	Eliminate the requirement for public employee wages	This requirement is state law, not contractual, and needs to be statutorily repealed. Deleting the requirement from the contract does not eliminate the contractor's obligation to pay public employee wages or the duty for DOE to enforce it. It appears that after June 30, 2012 there will not be any public employees in Hawaii with the job title "school bus driver." However, DOE cannot guarantee that during the life of a bus contract that neither it nor any of the counties will ever hire a school bus driver.	Include in DOE's package for the 2013 legislature an exemption for school bus drivers from the public employee wage requirement.	Unknown. A large contractor has stated that at present, elimination of this requirement would not reduce its costs. Prospective mainland contractors have said our bus driver wages are well above what they pay. This does not mean, however, that contractors could attract or retain bus drivers locally if the cut their pay.	Unknown – it's a public policy decision.
23	Eliminate the contract cancellation provision.	Amend Article VII, Section 11 of the state constitution that puts a 3-year limit on the period of time for which an appropriation of general funds may be made.	Include in DOE's package for the 2013 legislature; if approved by 2/3 of each chamber, legislature, requires approval by the voters in the November 2014 general election.	Likely to result in savings, but amount is not yet quantifiable. A major contractor has stated that the uncertainty created by the contract cancellation provision is the greatest contributor to the high cost of current bus contracts. However, because this provision has been in contracts for many years, it is not likely the cause of recent contract price increases well in excess of the inflation rate.	Unknown – it's a public policy decision.

24	<p><b>Action</b></p> <p>Modify the contract cancellation provision</p>	<p><b>How to do it</b></p> <p>Discuss with contractors. Change these provisions in future contracts: (i) modify the termination for convenience provision to provide for a reduced but more ascertainable formula for compensation (e.g., lesser of ___ months' compensation or 50% of the compensation payable for the remainder of the term); (ii) delete the provision providing for payment by DOE of unamortized bus costs (less fair market value of buses at the time of termination) if termination is for lack of funds.</p>	<p><b>Timetable</b></p> <p>Can only be done for new contracts. If desirable, could be included in solicitations for contracts that would be effective July 1, 2013.</p>	<p><b>Likely results</b></p> <p>Unknown. Generally, an increase in perceived risk to a vendor results in a higher bid price, to compensate for the higher risk.</p>	<p><b>Desirable?</b></p> <p>Yes, for modifying the termination for convenience language, because it clarifies the penalty and therefore reduces uncertainty for the contractor; it also eliminates cost to the state paying the cost of determining the termination fee.</p> <p>No, for deleting the payment by DOE of unamortized bus costs (less FMV of buses), because it increases risk to contractors that is likely to result in higher cost to DOE.</p>
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	<b>Action</b>	<b>How to do it</b>	<b>Timetable</b>	<b>Likely results</b>	<b>Desirable?</b>
25	Reduce the length of bus contracts	Discuss with contractors. Could be done as an alternative when bids are solicited – ask contractors to submit alternative bids for, say, three years, as well as for longer periods, with the criterion for selection being the lowest price, irrespective of length of contract. Or, ask contractors to specify the term that would result in the lowest price, with DOE being agnostic with respect to contract length and selecting the bidder based on price alone.	Can only be done for new contracts. If desirable, could be included in solicitations for contracts that would be effective July 1, 2013.	Unknown.	Probably not; needs more discussion
26	Increase the length of bus contracts	See “reduce the length of bus contracts” above.	If desirable, could be included in solicitations for contracts that would be effective July 1, 2013.	Unknown.	Probably; needs more discussion

<b>Changes in practice</b>					
	<b>Action</b>	<b>How to do it</b>	<b>Timetable</b>	<b>Likely results</b>	<b>Desirable?</b>
27	Provide buses to contractors	Solicitation for bids would include a statement that bidders may elect to lease new buses from DOE at a fixed price per year for the term of the contract. Upon award of the contract, the successful bidder would be required to commit either to leasing the buses from DOE or providing its own buses. If leased from DOE, DOE would in turn lease the requisite buses and sublease them to the successful bidder. Buses could be leased by DOE using tax-exempt financing per HRS Section 37D if approved by B&F and AG.	Could be done for contracts that would be effective July 1, 2013. DOE would need to award the bids before December 31, 2012 so that it could order and arrange for financing whatever buses it needed to provide to the successful bidder(s).	Should result in savings because (i) bus contractor would require less capital and thus needs less total profit (ii) providing the buses would reduce one of the barriers to entry or expansion and may motivate contractors who have current contracts to moderate their bid prices, knowing another contractor can enter the market or expand without the need to acquire buses, (iii) if the contract were terminated early, there would be a smaller termination penalty, and (iv) and idle buses could be returned to DOE with no penalty. Estimated savings, which would be achieved incrementally until all current contracts had been replaced with new contracts, is estimated at between \$12 and \$15 million annually.	Yes

	<b>Action</b>	<b>How to do it</b>	<b>Timetable</b>	<b>Likely results</b>	<b>Desirable?</b>
28	Increase the number of buses in each bid package.	Combine groups of routes in a single solicitation.	Could be done for contracts that would be effective July 1, 2013.	Unknown, both in the short term and in the long term. Larger numbers of buses in a contract may result in economies of scale, but also may result in fewer bidders and the elimination of low-cost small operators. Our largest contractor is also our highest price contractor, so economies of scale are not demonstrated.	Probably not; needs more discussion
29	Have a single master contract.	The single contract could be by island, or statewide. Alternatives, using either IFB or RFP, are: (i) solicit a single contract, either by island or statewide, to be effective for all routes beginning July 1, 2013, with DOE responsible for the cost of terminating existing contracts. (ii) solicit a single contract, either by island or statewide, to be effective July 1, 2013 only for those routes where the current contract expires June 30, 2013, with routes still under contract to be phased into the single contract, either by island or statewide, as current contracts expire, with prices for all routes, whenever phased in, specified in the bid.	Could be done for contracts that would be effective July 1, 2013. Requires a determination that a single statewide contract is in the best interest of DOE and the State.	Roberts would likely be the only local contractor with the capacity to bid; all other local contractors would likely eventually be put out of business. Once there were a single contractor statewide or on Oahu, it would be difficult for someone else to successfully bid at the end of the contract. If the single contract were effective for all routes beginning July 1, 2013, DOE would incur a substantial cost to terminate the then-existing contracts.	Probably not, needs more discussion.

	<b>Action</b>	<b>How to do it</b>	<b>Timetable</b>	<b>Likely results</b>	<b>Desirable?</b>
30	Purchase fuel for the buses	Per SPO, only nonprofit vendors are allowed access to state price lists. Thus specific statutory authorization would be required.	Include in DOE's package for the 2013 legislature. If approved by the legislature, could be included in solicitations for contracts that would be effective July 1, 2014. For existing contracts, would need to be negotiated once statutory authority is enacted. Challenge will be to assure that fuel is used only for services provided in the contract.	Unknown. Contractors currently have the ability to negotiate bulk fuel purchases. School buses are already exempt from the federal motor fuel tax.	Probably not.
31	Provide baseyards and/or bus parking areas to contractors.	Could be done as an alternative when bids are solicited – ask contractors to submit alternative bids for (i) DOE providing one or more specific baseyards and/or parking areas, and (ii) contractor providing the baseyards and parking areas, as at present. DOE may need to specify in the bid solicitation the basis on which it will select the bidder.	Could be done for contracts that would be effective July 1, 2013. Challenge is finding baseyards and parking areas (to include parking on school campuses) that DOE could deliver to contractors.	Should result in savings. This would reduce one of the barriers to entry or expansion and may motivate contractors who have the current contract to moderate their bid prices, knowing another contractor can enter the market or expand without the need to acquire buses.	Yes
32	Allow buses to park on campuses.	See above for new contracts. Identify those schools where bus parking could be accommodated, and at each such school, the number of buses and when and how access would be provided.	Negotiating with contractors for existing contracts will be completed by June 30, 2012.	Unknown but minimal; DOE campuses are not designed for school bus parking.	Yes.

	<b>Action</b>	<b>How to do it</b>	<b>Timetable</b>	<b>Likely results</b>	<b>Desirable?</b>
33	Buy out the idle bus charge	Discuss with contractors. DOE would buy the idled buses and sell them on the mainland, if it is cost-effective.	Negotiating with contractors will be completed by June 30, 2012.	Likely to result in savings, but amount is not yet quantifiable.	Yes
34	Buy the idle buses	Discuss with contractors. Include a provision in future contracts enabling DOE to buy at their depreciated book value or take over the leases of to-be-idled buses.	Incorporate in solicitations for bids for contracts that would begin July 1, 2013.	Likely to result in savings, but amount is not yet quantifiable.	Yes