STAND. COM. REP. NO. 3386

Honolulu, Hawaii

MAR 30 2026

RE: H.B. No. 1785
H.D. 1
S.D. 1

Honorable Ronald D. Kouchi
President of the Senate
Thirty-Third State Legislature
Regular Session of 2026
State of Hawaii

Sir:

Your Committee on Education, to which was referred H.B. No. 1785, H.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO STUDENT TRANSPORTATION,"

begs leave to report as follows:

The purpose and intent of this measure is to:

(1) Subject to approval by the Governor, authorize the Department of Education to hire a new contractor if a contractor under a student transportation contract fails to provide service on a contracted route for five or more consecutive instructional days; and

(2) Authorize the use of the School Bus Fare Revolving Fund to offset costs associated with procuring replacement services.

Your Committee received testimony in support of this measure from Teach for America Hawai'i and one individual.

Your Committee received comments on this measure from the Department of Education and State Procurement Office.

Your Committee finds that there is an ongoing statewide shortage of qualified school bus drivers. Your Committee further

finds that reliable school bus services are essential for student attendance, safety, and academic success. This measure will better enable the Department of Education to address prolonged disruptions in school bus services and improve transportation reliability for students and families.

Your Committee acknowledges the concerns raised in testimony by the Department of Education and State Procurement Office that, while flexibility is appropriate to address short-term gaps in student transportation services, certain provisions of this measure, as written, do not align with the Hawaii Public Procurement Code or best practice procurement procedures that prioritize fairness, transparency, and proportionality. Further, this measure would authorize the Governor to make procurement decisions related to the removal or suspension of school bus routes, however, the Superintendent of Education is the Chief Procurement Officer for the Department of Education. Additionally, this measure would allow a thirty-month exemption from the Hawaii Public Procurement Code for interim agreements, but extended procurement exemptions may undermine the integrity and fiscal transparency of long-term competitive bidding. Harmonizing the language of this measure to align with the State Procurement Office's existing rules, including those for contract termination for default, will help improve its efficacy.

Your Committee further notes that affording the Department of Education the discretionary authority to penalize contractors that fail to provide service without an approved justification will empower the Department to hold bad actors accountable without discouraging market participation through rigid punishments. Therefore, amendments to this measure are necessary to address these matters.

Accordingly, your Committee has amended this measure by:

(1) Replacing references to the phrase "contracted route" or "affected route" with the phrase "contracted service capacity or designated service segment", throughout this measure, where appropriate, to align statutory language with existing procurement contract language;

(2) Authorizing the Superintendent of Education, rather than the Governor, to:

(A) Suspend or remove a designated service segment or segments from a student transportation contract; and

(B) Specify conditions and timelines for, and other limitations on, the suspension or removal of a contracted service capacity or designated service segment, as deemed necessary to protect the public interest;

(3) Reducing the duration of the Hawaii Public Procurement Code exemption for interim agreements executed under this measure from not more than thirty months to not more than twelve months or the remainder of the school year, whichever in less;

(4) Inserting language that authorizes the Department of Education to assess a financial penalty against any contractor that fails to provide service on a contracted service capacity or designated service segment without an approved justification;

(5) Specifying that the financial penalty that may be assessed by the Department of Education:

(A) May be up to one hundred percent of the daily contract rate or liquidated damages equal to the reasonable cost of replacement transportation services, whichever is greater, for each day the service is unfulfilled;

(B) Shall be deposited into the School Bus Fare Revolving Fund upon collection; and

(C) May be expended to offset costs associated with procuring replacement transportation services;

(6) Clarifying that the suspension or removal of a contracted service capacity or designated service agreement under this measure shall be deemed a termination for default pursuant to the Hawaii Public Procurement Code and applicable administrative rules;

(7) Amending section 1 to reflect its amended purpose;

(8) Inserting an effective date of July 31, 2055, to encourage further discussion; and

(9) Making technical, nonsubstantive amendments for the purposes of clarity and consistency.

As affirmed by the record of votes of the members of your Committee on Education that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 1785, H.D. 1, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 1785, H.D. 1, S.D. 1, and be referred to your Committee on Ways and Means.

Respectfully submitted on behalf of the members of the Committee on Education,

DONNA MERCADO KIM, Chair

The Senate
Thirty-Third Legislature
State of Hawai'i

Record of Votes
Committee on Education
EDU

Bill / Resolution No.:*	Committee Referral:	Date:
HB 1785 HD1 ~~SD1~~	EDU, WAM	03/23/2026 ~~03/18/2026~~

☐ The Committee is reconsidering its previous decision on this measure.

If so, then the previous decision was to: _____

The Recommendation is:

☐ Pass, unamended 2312 ☑ Pass, with amendments 2311 ☐ Hold 2310 ☐ Recommit 2313

Members	Aye	Aye (WR)	Nay	Excused
KIM, Donna Mercado (C)	✓			
KIDANI, Michelle N. (VC)	✓			
FUKUNAGA, Carol				✓
HASHIMOTO, Troy N.	✓			
DECORTE, Samantha	✓			
TOTAL	4			1

Recommendation: ☑ Adopted ☐ Not Adopted

Chair's or Designee's Signature: Michelle N. Kidani

Distribution: Original — File with Committee Report; Yellow — Committee; Pink — Drafting Agency

*Only one measure per Record of Votes

Revised: 01/02/26