



**TESTIMONY OF
THE DEPARTMENT OF THE ATTORNEY GENERAL
KA 'OIHANA O KA LOIO KUHINA
THIRTY-THIRD LEGISLATURE, 2026**

ON THE FOLLOWING MEASURE:

S.B. NO. 2549, RELATING TO STUDENT TRANSPORTATION.

BEFORE THE:

SENATE COMMITTEE ON EDUCATION

DATE: Friday, February 13, 2026

TIME: 1:05 p.m.

LOCATION: State Capitol, Room 229

TESTIFIER(S): Anne E. Lopez, Attorney General, or
Anne T. Horiuchi, Deputy Attorney General

Chair Kim and Members of the Committee:

The Department of the Attorney General (Department) provides the following comments.

The bill authorizes the Department of Education (DOE), upon written approval of the Governor, to suspend or remove a contracted school bus route from a contract when a contractor fails to provide service on that route for five or more consecutive instructional days. The bill further authorizes the DOE to enter into an interim agreement with another qualified carrier, exempts that interim agreement from chapter 103D, Hawaii Revised Statutes (HRS), subject to specified limitations, requires completion of a competitive procurement within thirty months, and mandates the assessment of financial penalties for unapproved service failures. Collected penalties are to be deposited into the School Bus Fare Revolving Fund and may be used to offset replacement service costs.

Although contractors are generally presumed to be aware of all applicable state and federal laws, the new section to be added to chapter 302A, HRS, establishes significant consequences for nonperformance, including the loss of routes, the modification of contracts, and financial penalties. To promote clarity and reduce the likelihood of disputes, the Department recommends adding a new section to the bill to require express reference to the new statute in DOE solicitations and contracts for student transportation services as follows:

SECTION . All requests for proposals issued by the department of education for student transportation services, and all contracts executed by the department of education for student transportation services, after the effective date of this Act, shall specifically reference section 302A- .

Thank you for the opportunity to provide comments on this bill.

JOSH B. GREEN, M.D.
GOVERNOR
KE KIA'ĀINA



BONNIE KAHAKUI
ADMINISTRATOR

DAYNA OMIYA
ASSISTANT ADMINISTRATOR

STATE OF HAWAII | KA MOKU'ĀINA O HAWAII'
STATE PROCUREMENT OFFICE

P.O. Box 119
Honolulu, Hawaii 96810-0119
Tel: (808) 586-0554
email: state.procurement.office@hawaii.gov
<http://spo.hawaii.gov>

TESTIMONY
OF
BONNIE KAHAKUI, ADMINISTRATOR
STATE PROCUREMENT OFFICE

TO THE SENATE COMMITTEE
ON
EDUCATION
FEBRUARY 13, 2026, 1:05 PM

SENATE BILL 2549
RELATING TO STUDENT TRANSPORTATION

Chair Kim, Vice Chair Kidani, and members of the committee, thank you for the opportunity to submit testimony on Senate Bill 2549, which authorizes the Department of Education (DOE) to suspend or terminate school bus contracts after five or more missed instructional days. The State Procurement Office (SPO) respectfully offers comments and recommendations.

The intent of Senate Bill 2549 to enforce contractual remedies for non-performance is addressed in the Hawaii Revised Statutes (HRS), Chapter 103D, Hawaii Public Procurement Code, and Hawaii Administrative Rules (HAR) Chapter 3-125, which provide the statutory framework for contract enforcement, termination, and remedies for contractor non-performance. The DOE shall continue to consistently enforce the existing procurement requirements. Furthermore, redundant statutory requirements within the established framework may compromise the consistency and uniform application of the current code.

The SPO respectfully recommends that the Committee defer Senate Bill 2549 as written and instead emphasize the consistent enforcement of existing procurement rules and contract provisions.

Thank you for the opportunity to submit testimony on this measure.



STATE OF HAWAII
DEPARTMENT OF EDUCATION
KA 'OIHANA HO'ONA'AUAO
P.O. BOX 2360
HONOLULU, HAWAII 96804

Date: 02/13/2026

Time: 01:05 PM

Location: CR 229 & Videoconference

Committee: EDU

Department: Education

Person Testifying: Keith T. Hayashi, Superintendent of Education

Title of Bill: SB2549, RELATING TO STUDENT TRANSPORTATION.

Purpose of Bill: Authorizes 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. Requires the Department to assess a penalty if a contractor fails to provide service on a contracted route without an approved justification. Specifies that the assessed penalties be deposited into the school bus fare revolving fund. Authorizes the use of the school bus fare revolving fund to offset costs associated with procuring replacement services.

Department's Position:

The Hawaii State Department of Education (Department) appreciates the opportunity to provide comments on SB 2549, which would allow the suspension or removal of individual school bus routes from a contract if a contractor fails to provide service for five (5) instructional days.

While SB 2549 seeks to address ongoing driver shortages, it raises significant concerns regarding contract structure, enforceability, and procurement integrity. Current school bus transportation contracts procure drivers and vehicles, not routes. SB 2549 assumes routes function as standalone contractual units, which does not reflect how services are procured. Removing a single route from a capacity-based contract risks undermining contract pricing, operational efficiency, and could expose the Department to claims of improper partial termination.

The bill also authorizes "interim agreements" that are exempt from Chapter 103D for up to thirty (30) months, a duration that exceeds the standard emergency procurement term. Such long-term exemptions raise concerns regarding equity, transparency, and alignment with current State procurement laws, which are designed to ensure open competition and safeguard the public interest.

Importantly, removing individual routes does not address the root cause of service disruptions: the statewide shortage of qualified school bus drivers. This approach may further destabilize the market by discouraging contractor participation.

Thank you for the opportunity to comment on SB 2549.