

LFC Requester:	Sunny Liu
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**AGENCY BILL ANALYSIS
2017 REGULAR SESSION**

WITHIN 24 HOURS OF BILL POSTING, EMAIL ANALYSIS TO:

LFC@NMLEGIS.GOV

and

DFA@STATE.NM.US

{Include the bill no. in the email subject line, e.g., HB2, and only attach one bill analysis and related documentation per email message}

SECTION I: GENERAL INFORMATION

{Indicate if analysis is on an original bill, amendment, substitute or a correction of a previous bill}

Check all that apply: Date 1-26-17
Original **Amendment** _____
Correction _____ **Substitute** _____
Bill No: HB47

Sponsor: Rep. Dennis J. Roch **Agency Code:** 924
Short Title: EXTEND SCHOOL BUS REPLACEMENT CYCLE **Person Writing:** Aguilar/Ortiz
Title: _____ **Phone:** 505-827-6519 **Email:** Paulj.aguilar@state.n

SECTION II: FISCAL IMPACT

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY17	FY18		
	None Noted		

(Parenthesis () Indicate Expenditure Decreases)

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY17	FY18	FY19	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total		Indeterminate			Recurring	District Transportation Budgets

(Parenthesis () Indicate Expenditure Decreases)

SECTION III: NARRATIVE

BILL SUMMARY

Synopsis: HB-47 extends the school bus replacement cycle from 12 years to 15 years.

FISCAL IMPLICATIONS

The immediate fiscal impact of this bill would be in a decrease in capital funding as the number of buses needing to be replaced would decrease for the first three years. Once the replacement cycle evens out, the number of buses to be replaced annually would equal the number of buses currently replaced each year.

The impact on school district budgets is unclear as the costs of maintaining older buses are not well documented. However, as a school bus ages, parts wear out and maintenance costs increase significantly. Generally, a 15-year old bus will cost more to maintain and operate than a 12-year old school bus. Districts are expressing concern with reduced funding for transportation and it is unclear if the provisions of this bill would keep costs neutral year-over-year, or if costs would rise. Provisions contained in this bill may require school districts and contractors to absorb increased maintenance costs.

SIGNIFICANT ISSUES

A major objective of the Public Education Department (PED), Transportation Bureau is to establish a safe and efficient unified system of transportation to ensure all eligible students are transported in a safe and timely manner. Extending the maximum number of years that a school bus can be used for transporting students to-and-from school increases the chances of safety components to wear out and will require more diligence on the part of safety inspector to ensure those parts more prone to failure such as brakes, steering components, and suspension parts are identified early and replaced.

The state of New Mexico is very rural in nature and school buses drive several thousand miles per year. Using data from FY16, 2,064 to-and-from school buses were reported to PED and traveled more than 29 million miles. This averages to about 14,000 miles for every bus which equates to approximately 168,000 miles for a bus that is 12 years of age. Extending the life cycle another 3 years will add an additional 42,000 miles per bus. At the end of 15 years on average every bus will have approximately 210,000 miles.

Careful attention should be placed to the language currently contained in statute and also contained in Section 1, Subsection B of this bill that provides for school districts to petition the department for permission to replace buses prior to the completion of a fifteen-year cycle. A number of districts, particularly those in the northwest corner of the state and in our rural ranching communities deal primarily with extremely difficult unpaved roads and these districts struggle to keep their current fleet operational for 12 years. In these districts, buses simply will not last this long without a significant investment in replacement parts. Some parts like bus frames cannot be replaced and are prone to cracking and failure after such long-term usage especially in these severe conditions. These districts will need to invoke these early replacement provisions and consideration should be given to a funding set-aside for replacing these buses early.

Current statute requires the PED to do the following regarding contractor owned buses:

1. establish a system for the use of contractor-owned buses
2. establish a schedule for the payment of rental fees for the use of contractor-owned buses
3. establish procedures to ensure replacement of buses on a twelve-year replacement cycle
4. pay rental fees not to exceed five years
5. calculate the remaining number of years that a bus could be used based on a twelve-year

replacement cycle and calculate a value reflecting that use in the event a school bus service contract is terminated or not renewed by either party

6. ensure the school district deducts an amount equal to that value from any remaining amount due on the contract, or if no balance remains on the contract, the contractor shall reimburse the school district an amount equal to the value calculated.

All contractors who have been given an approval letter from PED and have purchased a bus have done so with the understanding that they have a 12 year commitment and obligation to run that bus. This bill may pose some legal issues if the state is requiring school bus contractors to run their buses for 15 years when current statute required them to run them for 12 years at the time they were purchased. The legislature may want to consider a phase-in for these contractors and implement these provisions when buses are replaced.

ADMINISTRATIVE IMPLICATIONS

Extending the maximum life of a bus will also affect how PED calculates the overpayment on rental fees of a bus whenever a school bus contract is terminated or not renewed.

ALTERNATIVES

If it is the desire for the legislature to extend the life of to-and-from school buses to 15 years it may consider applying these provisions to school districts and delay these provisions for contractor until new buses are purchased to ensure that contractor commitments are not changed midway through their original obligation.