

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

SB 1605 – HB 1473

January 29, 2014

SUMMARY OF ORIGINAL BILL: Deletes current law relating to school bus service life, mileage restrictions, inspections, and inspection fees. Prohibits the use of service life or mileage restrictions to determine whether a school bus may remain in service. Requires all buses to have one annual inspection. Requires bus owners to maintain maintenance and safety inspection records and to make those documents available to the Commissioner of the Department of Safety or the Commissioner's designee at all times. Authorizes inspectors to require repair and reconditioning of buses to maintain road worthiness and to remove buses from the road if the inspector deems them to be unsafe. Authorizes the Commissioner of Safety to promulgate rules and regulations on school bus safety inspections.

FISCAL IMPACT OF ORIGINAL BILL:

Decrease State Revenue – Exceeds \$259,700/FY14-15 and Subsequent Fiscal
Years

Decrease Local Expenditures – Net Impact -
Exceeds \$22,464,700/FY14-15 and Subsequent Fiscal Years/Permissive

Other Fiscal Impact – If transportation costs decrease as a result of local education agencies (LEAs) choosing not to purchase new or used school buses, the Basic Education Program (BEP) funding formula may generate less funding over time, thus decreasing state and local BEP expenditures. The impact of any decrease in BEP funding will occur three years after any BEP funding formula adjustment since the BEP transportation component is funded on a three-year average. Based on information provided by the Department of Education, the decrease is reasonably estimated to exceed \$10,000,000.

SUMMARY OF AMENDMENT (011779): Requires school buses to be inspected twice annually upon reaching their 15th year of service. Authorizes the Department of Safety (DOS) to charge an inspection fee for additional inspections for buses that have reached their 15th year of service. Authorizes the Commissioner of Safety to remove from service buses that have more than 200,000 service miles or are beyond their 17th year of service, if the Commissioner finds that a local education agency (LEA) or owner of the bus has not performed appropriate maintenance or maintained accurate maintenance records.

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FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

Increase State Revenue –

\$286,600/FY14-15/Department of Safety

\$306,700/FY15-16/Department of Safety

\$245,100/FY16-17/Department of Safety

Increase State Expenditures –

\$286,600/FY14-15/Department of Safety

\$306,700/FY15-16/Department of Safety

\$245,100/FY16-17 and Subsequent Fiscal Years/Department of Safety

Decrease Local Expenditures – Net Impact –

Exceeds \$19,400,000/FY14-15 and Subsequent Fiscal Years/Permissive

Other Fiscal Impact - If transportation costs decrease as a result of local education agencies (LEAs) choosing not to purchase new or used school buses, the Basic Education Program (BEP) funding formula may generate less funding over time, thus decreasing state and local BEP expenditures. The impact of any decrease in BEP funding will occur three years after any BEP funding formula adjustment since the BEP transportation component is funded on a three-year average. Any such reduction is dependent upon several unknown factors; however, is reasonably estimated to exceed \$1,000,000.

Assumptions for the bill as amended:

- The DOS will collect additional inspection fees that will be equal to any increase in state expenditures necessary to hire additional personnel.
- Conventional buses between 13 and 17 years of service will no longer be inspected twice annually.
- DOS estimates 480 new buses will be eligible for their extension utilization program in FY13-14 and 679 new buses in FY14-15. It is reasonably assumed that all eligible buses will utilize the extension program.
- The number of new inspections for additional buses in FY14-15 is estimated to be 960 (480 x 2) and 1,358 (679 x 2) in FY15-16. The number of new bus inspections in FY16-17 and subsequent years is estimated to exceed 1,358.
- According to DOS, two new state troopers will be hired in FY14-15 and one state trooper in FY15-16 to perform the increased number of inspections. Each trooper has a cost of \$81,700 in recurring state expenditures and \$61,600 in one-time state expenditures. Expenditures include salary, benefits, and operational costs.
- The increase in state revenue and expenditures for FY14-15 is estimated to be \$286,600 [(\$81,700 x 2) + (\$61,600 x 2)].
- The increase in state revenue and expenditures for FY15-16 is estimated to be \$306,700 [(\$81,700 x 2) + \$81,700 + \$61,600].

- The recurring increase in state revenue and expenditures beginning in FY16-17 is estimated to be \$245,100 ($\$81,700 \times 3$).
- Annual local expenditures for bus maintenance may increase as a result of extending the service life of buses. Any increase is dependent upon several unknown factors such as the number of buses requiring maintenance, the type of required maintenance, the cost of parts, and the frequency with which such buses need repairs. As a result, determining a precise increase in local government expenditures is difficult; however, such increase in local expenditures is reasonably estimated to exceed \$1,000,000 annually statewide; further it is assumed that the cost for maintenance is less than the cost to purchase new buses.
- According to the Department of Education, the cost for a new bus is \$85,000. If local governments elect not to purchase 240 buses (50% of the eligible buses in FY14-15) as a result of the bill as amended, the permissive decrease in local expenditures for bus purchases is estimated to be \$20,400,000 ($\$85,000 \times 240$) in FY14-15 and exceed that amount in FY15-16 and subsequent fiscal years.
- The permissive net decrease in local government expenditures in FY14-15 and subsequent fiscal years is estimated to exceed \$19,400,000 ($\$20,400,000 - \$1,000,000$).

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, appearing to read "Lucian D. Geise" with "RNC" written below it.

Lucian D. Geise, Executive Director

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