

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



CORRECTED
FISCAL MEMORANDUM

HB 1507 – SB 1966

March 20, 2014

SUMMARY OF ORIGINAL BILL: Increases the mileage limitation from 200,000 miles to 400,000 miles, for a conventional or Class D bus operating in its 16th or 17th year of service.

FISCAL IMPACT OF ORIGINAL BILL:

Increase State Revenue –

\$230,200/Department of Safety/FY14-15

Exceeds \$230,200/Department of Safety/FY15-16 and Subsequent Years

Increase State Expenditures –

\$230,200/Department of Safety/FY14-15

\$56,400/General Fund/FY14-15

\$163,400/FY15-16 and Subsequent Years

Decrease Local Expenditures – Net Impact –

Exceeds \$11,750,000/FY14-15 and Subsequent 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. The decrease is reasonably estimated to exceed \$9,000,000, beginning in FY15-16.

SUMMARY OF AMENDMENT (013536): Deletes all language of the original bill. Authorizes the use of conventional and Class D school buses until they have reached their 18th year of service. The Commissioner of Safety, through the inspection process, may approve the use of buses for additional years of service beyond the 18th year, if the bus has less than 200,000 recorded miles. Requires all conventional and Class D buses that have been in use for more than 16 years but not more than 18 years to be inspected twice annually. A bus that reaches the 200,000 mile mark during the academic year may be kept in service until the end of the academic year. Prohibits a bus that is more than 15 years old and is purchased from an out-of-state entity from being used, unless it has been in service in Tennessee for at least two years. All buses that

HB 1507 – SB 1966 (CORRECTED)

have been in service for 15 years or less shall be inspected once annually. Authorizes the Department of Safety (DOS) to collect a fee for bus inspections performed on buses that are in their 16th year of service or greater.

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

On March 18, 2014, a corrected fiscal memorandum was issued for this bill as amended with the following estimated fiscal impact:

(CORRECTED)

*Increase State Revenue - \$104,700/FY14-15 and Subsequent Years/
Department of Safety*

*Increase State Expenditures - \$143,300/FY14-15 and Subsequent Years/
Department of Safety*

*Decrease Local Expenditures – Net Impact –
Exceeds \$10,455,300/FY14-15 and Subsequent Years*

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 \$1,000,000.

On March 20, we received additional information from the Department of Safety. The corrected fiscal impact for the bill as amended has been changed to reflect this additional information. The corrected impact for the bill as amended is as follows:

(CORRECTED)

**Increase State Revenue –
\$1,054,100/FY14-15/Department of Safety
\$1,555,400/FY15-16/Department of Safety
Exceeds \$1,555,400/FY16-17 and Subsequent Years/
Department of Safety**

**Increase State Expenditures –
\$573,200/FY14-15/Department of Safety
\$613,400/FY15-16/Department of Safety
\$490,200/FY16-17 and Subsequent Years/Department of Safety**

**Decrease Local Expenditures – Net Impact –
Exceeds \$56,170,900/FY14-15 and Subsequent Years**

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.

Corrected assumptions for the bill as amended:

- Based on information from the Department of Safety, approximately 1,521 buses will be eligible to participate in the extended utilization program in FY14-15. It is reasonably estimated that 10 percent of those buses (or 152) will be replaced by LEAs or private contractors and will not utilize the extended use program.
- It is estimated that 1,369 buses (1,521 – 152) will be extended for at least one additional year. Each bus will be inspected twice per year at a cost of \$385 per inspection.
- The increase in state revenue beginning in FY14-15 is estimated to be \$1,054,130 (1,369 buses x 2 inspections x \$385 per inspection).
- Based on information provided by DOS, it is estimated that 2,020 buses will take advantage of the extended utilization program in FY16-17.
- The increase in state revenue in FY16-17 is estimated to be \$1,555,400 (2,020 x 2 inspections x \$385).
- The recurring increase in state revenue beginning in FY17-18 is estimated to exceed \$1,555,400.
- DOS will hire four additional state troopers to perform inspections in FY14-15. Each state trooper position has a cost of \$81,700 in recurring state expenditures and \$61,600 in one-time state expenditures.
- The total increase in state expenditures in FY14-15 is estimated to be \$573,200 [(\$81,700 x 4) + (\$61,600 x 4)].
- DOS will hire two additional state troopers to perform an increased number of inspections in FY15-16.
- The increase in state expenditures in FY15-16 is estimated to be \$613,400 [(81,700 x 6) + (\$61,600 x 2)].
- The total recurring increase in state expenditures beginning in FY17-18 is estimated to exceed \$490,200 (\$81,700 x 6).
- According to DOE, the average cost for a bus is \$85,000.
- Local governments elect not to purchase a minimum of 685 new buses annually as a result of this bill as amended. The recurring and permissive decrease in local

expenditures is estimated to exceed \$58,225,000 (\$85,000 x 685 buses) beginning in FY14-15.

- Annual local expenditures for bus maintenance may increase as a result of extending the service life of buses. It is reasonably estimated that the recurring and permissive increase in local maintenance expenditures will be at least \$1,000,000 annually statewide; further it is assumed that the cost for maintenance is less than the cost to purchase a new bus.
- The net recurring and permissive decrease in local expenditures beginning in FY14-15 is estimated to exceed \$56,170,870 (\$58,225,000 savings - \$1,000,000 maintenance costs – \$1,054,130 inspection costs).

CERTIFICATION:

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



Lucian D. Geise, Executive Director

/msg