

Fiscal impact reports (FIRs) are prepared by the Legislative Finance Committee (LFC) for standing finance committees of the NM Legislature. The LFC does not assume responsibility for the accuracy of these reports if they are used for other purposes.

Current FIRs (in HTML & Adobe PDF formats) are available on the NM Legislative Website (legis.state.nm.us). Adobe PDF versions include all attachments, whereas HTML versions may not. Previously issued FIRs and attachments may be obtained from the LFC in Suite 101 of the State Capitol Building North.

FISCAL IMPACT REPORT

SPONSOR Nava **ORIGINALDATE** 8/16/08
LAST UPDATED 8/18/08 **HB** _____

SHORT TITLE School Bus Transportation Funding **SB** 20/aSCW

ANALYST Aguilar

APPROPRIATION (dollars in thousands)

| Appropriation | | Recurring or Non-Rec | Fund Affected |
|---------------|------|-------------------------|------------------|
| FY09 | FY10 | | |
| \$5,000.0 | | Non Recurring | General Fund |
| \$1,400.0 | | Recurring | General Fund |

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From
Public Education Department (PED)

SUMMARY

Synopsis of SCW Amendment

The Senate Committee of the Whole Amendment to Senate Bill 20 increases the appropriation for fuel from \$3.2 million to \$5 million and provides for PED to evaluate funding for fuel costs and adjust distributions to school districts and bus contactors. The amendment also provides for the department to take credit at the end of FY09 for any over payments of fuel costs to school districts and bus contactors.

The amendment also appropriates \$1.4 million for increased school personnel travel costs and provides for PED to establish a formula for distribution. Further, the department is required to evaluate the distribution of the supplemental funding and adjust distributions as necessary.

SIGNIFICANT ISSUES

The \$5 million appropriation contained in the amendment is based on an average fuel price of \$3.81 per gallon and reflects the average of the LFC/DFA consensus estimate of \$3.71 and a PED quarterly estimate of \$3.90. **The amount reflects the full year need for bus fuel at current estimates not a band-aid until the regular session.**

The provision for PED to take credit for overpayments at the end of FY09 is contained in the amendment to assure that these funds are used only for school bus fuel. Budget transfers out of fuel budget line items will not be permitted with credit being taken by the department for all funds remaining in these lines items at the end of FY09.

The appropriation of \$1.4 million contained in the bill for provides funding for school districts to reimburse school personnel for increased travel expenses caused by high fuel costs. All school district personnel are considered under the Mileage and Per Diem Act (Section 10-8-1 through 10-8-8 NMSA 1978) to be public employees and subject to the provisions of the Act.

It appears that increased travel expenses caused by high fuel costs would fall into two categories, travel, which would generally include travel by air and by automobile and per-diem.

At present, employees are reimbursed for air travel at the lowest commercial fare available which could benefit from the appropriation; however mileage is limited to \$0.32 cents per mile by statute without provisions for escalating this amount. It is unclear how districts or employees would benefit significantly from the appropriation since most district travel is conducted in-state primarily by automobile.

School districts have the option under the Mileage and Per-Diem Act to pay for the actual expenses for lodging and reimbursement for actual expenses for meals, limited to \$30.00 per day. It is unclear if the difference between the \$85.00 per-diem rate and actual expenses is significant when all overnight district travel is accounted for.

Synopsis of Original Bill

Senate Bill 20 appropriates \$3,200,000 from the general fund to the Public Education Department for the purpose of providing supplemental funding to school districts for higher school bus fuel costs.

FISCAL IMPLICATIONS

The appropriation of \$3,200,000 contained in this bill is a nonrecurring expense to the general fund. Any unexpended or unencumbered balance remaining at the end of fiscal year 2009 shall revert to the general fund.

SIGNIFICANT ISSUES

Fuel costs across the state are currently well above the amount appropriated for school bus transportation for FY09. Data available during the 2008 session projected an average diesel fuel cost for FY09 of \$2.66 per gallon. This amount is what is budgeted by PED for distribution in the current school year. Extraordinary increases in the cost of fuel in recent months have resulted in a revision of the FY09 estimate by LFC and DFA to \$3.71 per gallon, a difference of \$1.05 per gallon. This amount, while different from the current daily wholesale cost of fuel is reflective of a projected yearlong average. This cost also reflects the wholesale cost of fuel and not the price at the pump since all districts and school bus contractors are exempt from paying the state special fuels tax and federal taxes, including those contractors who choose to purchase fuel at the pump.

The appropriation contained in the bill would fund fuel for FY09 at \$3.39 per gallon, considerably lower than the LFC/DFA estimate. The methodology used in determining this amount is unclear.

The bill provides for the distribution of any additional funding to be based on miles traveled for the to-and-from transportation costs on public school students only.

In order to determine if districts need the funding immediately or if this matter could wait until the regular session, data on district transportation cash balances was requested from PED. The department indicates that overall of the 152 total districts and charters, 92 or 61 percent are showing increased budgeted cash balances from FY08 to FY09 and 60 or 39 percent are showing decreased budgeted cash balances from FY08 to FY09. These are not audited cash balances, but rather budgeted cash balances. This is an important distinction to note since it appears that up to 45 percent of districts and charter school have not yet submitted their final reports to PED for FY08. It is clear that this delay by the districts and charter schools is causing problems in determining the ability of districts to participate in addressing this problem in the short term.

PED notes that school bus mileage averages about eight miles per gallon. For FY08, school buses in New Mexico traveled 34,682,392 miles transporting public school students to and from school. Every one cent fluctuation in the price of fuel has a statewide impact of \$43,750.

If all of these factors are combined, it would indicate the potential need for additional funding in FY09. Using the LFC/DFA projection this amount could be as high as \$4.6 million if funding was provided for the entire year.

Given the volatility of fuel prices and the recent down turn in gas and oil prices it may not be necessary to fund the entire amount at this time. Using the PED mileage and use methodology and the LFC/DFA estimate, an appropriation of \$2.3 million would fund the additional fuel need at \$3.71 per gallon for half the fiscal year allowing the Legislature and the executive to reevaluate pricing, district participation and overall need at the regular session.

ADMINISTRATIVE IMPLICATIONS

The Public Education Department will be required to distribute the additional appropriation based on a per mile calculation.

ALTERNATIVES

The Legislature may wish to consider minor changes to the bill to allow PED to determine the need for additional funding on a per request basis to allow for the evaluation of the use of district resources to participate in the total need. As written, the department would distribute funding to schools without the benefit of evaluating the need for the distribution.

PA/svb:mt