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FISCAL IMPACT REPORT

ORIGINAL DATE 2/19/19

SPONSOR Campos LAST UPDATED _____ HB _____

SHORT TITLE School Bus Driver Salary & Gross Receipts SB 580

ANALYST Liu

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY19	FY20	FY21	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total		\$7,572.6 - \$15,141.7	\$7,572.6 - \$15,141.7	\$15,145.3 - \$30,283.4	Recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

Relates to HB 24, HB 31, HB 46, HB 265, SB 156, SB 321, SB 437
 Relates to Appropriation in the General Appropriation Act

SOURCES OF INFORMATION

LFC Files
 Legislative Education Study Committee (LESC) Files

Responses Received From
 Educational Retirement Board (ERB)
 Public School Insurance Authority (PSIA)

No Responses Received From
 Public Education Department (PED)

SUMMARY

Synopsis of Bill

Senate Bill 580 creates a new section in the Public School Code requiring school districts and state-chartered charter schools to pay school bus drivers a \$150 daily salary for performing school bus driving services. The bill also requires PED to allocate transportation distribution payments to school districts, state-chartered charter schools, and school bus contractors in a manner to meet the daily salary requirement and requires school districts and state-chartered charter schools to pay school bus contractors the appropriate gross receipts tax on payments for contractual services unrelated to school bus driving services.

FISCAL IMPLICATIONS

The bill does not make an appropriation but requires schools and contractors to pay school bus drivers a \$150 daily rate for driving services. Data from PED shows in FY19, school districts and state-chartered charter schools employed about 670 bus driver FTE and owned 1,093 school buses. Total salaries for bus drivers amounted to \$12.3 million, making the average salary per FTE approximately \$17.7 thousand. Assuming 183 days of driving, this would make the current daily rate an average of \$97 for bus drivers. Bringing the average daily rate up to \$150 would cost an estimated \$6.2 million, and including a fringe benefit rate of 23 percent would result in a total estimated incremental cost of \$7.6 million to meet provisions of this bill for school districts and state-chartered charter schools.

The PED data does not include information about bus drivers working for school bus contractors; however, assuming 61 percent of the 967 contractor buses are driven daily by 1 bus driver FTE (similar ratio to school districts and state charters of FTE to buses owned) and contractor bus drivers make the same average daily rate of \$97, the estimated salary and benefit cost for contractors would be \$7.6 million. In total, the estimated additional operating budget impact to school districts, state-chartered charter schools, and school bus contractors could be up to \$15.1 million in FY20 to meet the \$150 daily rate for all bus drivers.

The bill includes a provision requiring a school district or state-chartered charter school to pay a school bus contractor the appropriate gross receipts tax on payments for contractual services that do not include school bus driving. Gross receipts tax rates vary by county and municipality, ranging between 5.50 percent and 9.25 percent in 2019. Information is not readily available on whether gross receipts taxes are already included in the contractual rental fee rate negotiated between school districts and contractors, so fiscal implications of this provision are indeterminate at this time.

SIGNIFICANT ISSUES

LESC notes school bus drivers remain among the lowest paid public school employees, along with educational assistants, school cafeteria workers, and maintenance personnel. In FY19, the Legislature appropriated \$12.2 million to increase salaries for all school personnel other than teachers by an average of 2 percent.

The HAFC FY20 budget recommendation for public schools includes a 6 percent salary increase for all public school employees and includes \$3.6 million to raise salaries for transportation employees through an additional appropriation to the transportation distribution.

ADMINISTRATIVE IMPLICATIONS

Provisions of this bill will require PED to develop processes and procedures for determining school district, state-chartered charter school, and school bus contractor salaries for bus drivers. Additionally, PED will need to determine how allocations made pursuant to the transportation distribution formula in Section 22-8-29.1. NMSA 1978 can align with requirements provided in this bill.

RELATIONSHIP

This bill relates to House Bill 24, which requires monitoring equipment for school buses to record motorists passing stopped buses; House Bill 265 and Senate Bill 156, which require seat belts to be equipped in all school buses; House Bill 554, which requires seat belts and air conditioning to be installed on school buses; and Senate Bill 321, which requires air conditioning to be installed on school buses.

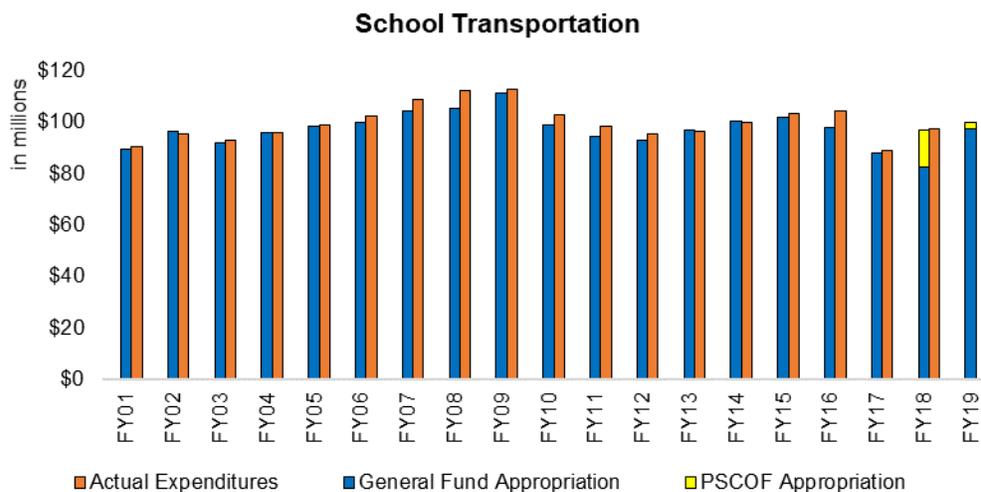
The bill also relates to House Bill 31, House Bill 46, and Senate Bill 437, which all impact the state minimum wage. The bill further relates to the transportation distribution appropriation in the General Appropriation Act.

TECHNICAL ISSUES

LESC notes language in the bill may prevent school districts, charter schools, and school bus contracts from exceeding the \$150 per day salary included in the bill. The sponsor may wish to amend Subsection A of the bill to read “a school district or state-chartered charter school shall pay to a school bus driver a salary of **at least** one hundred fifty dollars (\$150) per day...”

OTHER SUBSTANTIVE ISSUES

Funding for pupil transportation has hovered around \$100 million in the last two decades. Beginning in FY18, the Legislature began appropriating funding from the public school capital outlay fund (PSCOF) to support the transportation distribution during years with revenue shortfalls.



Source: PED and LFC Files

PED typically pays school bus contractors for rental fees from the transportation distribution prior to allocating school districts the remainder of the appropriation through the transportation distribution formula. If rental fees for contractors increase substantially as a result of this bill, the remaining share of funds for school districts and state-chartered charter schools would decrease.