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## FISCAL IMPACT REPORT

ORIGINALDATE 8/16/08

SPONSOR Miera LAST UPDATED 8/18/08 HB 2/aHTC/aHAFC/aSFL#1

SHORT TITLE School Bus Transportation Funding SB \_\_\_\_\_

ANALYST Aguilar

### APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY09	FY10		
\$3,200.0		Non Recurring	General Fund

(Parenthesis ( ) Indicate Expenditure Decreases)

### SOURCES OF INFORMATION

LFC Files

Responses Received From  
Public Education Department (PED)

### SUMMARY

#### Synopsis of SFI Amendment #1

Senate Floor Amendment #1 to House Bill 2 as amended removes the HAFC and HTC amendments.

This returns the bill to its original appropriation of \$3.2 million for providing supplemental funding to school districts for higher school bus fuel costs and removes all accountability language contained in the HAFC amendment.

### SIGNIFICANT ISSUE

It appears that removing accountability language would result in PED distributing these funds through the transportation formula allowing districts to spend the money as they see fit and not necessarily on fuel as the appropriation is intended. Some superintendents have testified they do not need additional funds for FY09 but would receive money through the distribution nonetheless.

Synopsis of HAFC Amendment

The House Appropriations and Finance Committee amendment to House Bill 2 makes technical changes to language 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.

**SIGNIFICANT ISSUES**

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.

Synopsis of HTC Amendment

The House Transportation Committee amendment to House Bill 2 increased the appropriation from \$3.2 million to \$5 million.

**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.**

Synopsis of Original Bill

House Bill 2 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 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/mt:svb