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FISCAL IMPACT REPORT

ORIGINAL DATE 02/16/21

SPONSOR Campos LAST UPDATED _____ HB _____

SHORT TITLE Daily School Bus Driver Salaries SB 307

ANALYST Liu

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

| | FY21 | FY22 | FY23 | 3 Year Total Cost | Recurring or Nonrecurring | Fund Affected |
|--------------|------|-----------------------------|-----------------------------|-----------------------------|------------------------------|------------------|
| Total | | (\$1,539.2) - \$25,445.4 | (\$1,539.2) - \$25,445.4 | (\$3,078.4) - \$50,890.8 | Recurring | General Fund |

(Parenthesis () Indicate Expenditure Decreases)

Relates to HB110, HB175

Relates to Appropriation in the General Appropriation Act of 2021

SOURCES OF INFORMATION

LFC Files

Legislative Education Study Committee (LESC) Files

No Response Received

Public Education Department (PED)

SUMMARY

Synopsis of Bill

Senate Bill 307 requires school districts and state-chartered charter schools to pay school bus drivers \$150 per day for each day the driver performs school bus driving services. The bill further requires PED to ensure transportation distribution payments are appropriately allocated to pay drivers this salary rate and requires schools to pay school bus contractors the appropriate gross receipts tax on payments for contract services beyond school bus driver salaries.

There is no effective date of this bill. It is assumed the effective date is 90 days following adjournment of the Legislature.

FISCAL IMPLICATIONS

The bill does not make an appropriation but establishes a daily fixed salary rate for school bus drivers and requires PED to redistribute school transportation funding to cover the new salary rate and other bus contractor services. Districts and contractors may incur additional transportation costs to meet provisions of this bill.

PED lacks detailed public data on school bus drivers – the agency’s publicized stat book only identifies 253 bus drivers and crosswalk guards statewide in FY18. This low count likely only accounts for FTE paid through operational revenues outside of the transportation distribution. Additionally, PED may not have access to FTE counts for school bus contractors, limiting the state’s ability to estimate the full fiscal impacts of this bill. For May 2018, the U.S. Bureau of Labor Statistics reported New Mexico employed 2,650 bus drivers for schools and special clients, and School Bus Fleet Magazine estimates New Mexico had 2,007 yellow school buses in FY19 – including 1,164 district-owned buses and 843 contractor-owned buses.

This analysis assumes public schools employ between 2,007 and 2,650 bus drivers (district- and contractor-owned) annually and provide 180 days of school transportation statewide. At \$150 per day, bus driver salaries could cost between \$54.2 million and \$71.6 million, excluding benefits and other contractual services. Using the FY18 average transportation fringe benefit rate of 38 percent and other purchased services rate of 17.4 percent, the estimated cost of this bill could be between \$84.2 million and \$111.2 million statewide. PED’s FY18 stat book shows public schools spent \$85.8 million on transportation personnel salaries and benefits, along with other purchased services such as transportation contractor costs. While provisions of this bill may incrementally change statewide expenditures, costs to individual districts or contractors could vary significantly based on the number of drivers and days of service.

Furthermore, K-5 Plus and Extended Learning Time Programs (ELTP) add 25 days or 10 days, respectively, to the school calendar. Provisions of this bill would effectively increase the number of transportation days and costs for schools participating in these programs.

For FY21, the school transportation distribution appropriation was \$110.4 million, which PED allocated to school districts and state-chartered charter schools based on prior year data related to student ridership, miles traveled, and transportation expenditures. The distribution includes \$7.3 million for schools providing transportation for K-5 Plus and ELTPs.

SIGNIFICANT ISSUES

A 2019 LESC analysis noted transportation distribution appropriations have increased in recent years; however, some school districts report transportation allocations do not cover the cost of school transportation operations. In FY18, school districts and charter schools spent \$8.6 million in operational funding on student transportation, and in FY19, school districts budgeted \$7.8 million in operational funding for student transportation. A majority of the operational spending on transportation occurs in a few school districts, while approximately half of New Mexico’s school districts do not spend any operational funds on transportation. Little analysis has been done on how school districts are spending their transportation funding, and it is unclear if these school districts could cut costs in any way. A majority of the school districts spending large amounts of operational funding on transportation are considered “large school districts,” suggesting formula factors affecting large school district transportation allocations may require further adjustment.

While some school districts are spending operational funds on transportation expenditures, LESC notes a portion of transportation allocations to other school districts and charter schools goes unspent each year. By statute, half of all unspent transportation allocations revert to the transportation emergency fund and the other half will carry forward for expenditure the following year. However, for a number of years state-chartered charter schools were unable to spend a greater proportion of their transportation allocations than school districts. The state began including

language in the General Appropriation Act requiring 100 percent of the unspent funds at state-chartered charter schools to revert to the transportation emergency fund in FY16. Following this requirement, 14 charter schools reverted \$621 thousand in unspent transportation funding, representing 32 percent of their total allocation, compared with a similar unspent sum of \$760 thousand from all 89 school districts that represented less than 1 percent of their total allocation.

School closures in FY20 and FY21 significantly reduced student ridership on school buses, a variable used to determine transportation distribution allocations. PED projects FY20 and FY21 transportation expenditures will be lower than prior years, given the reduced need for transportation services. Although statute restricts transportation distribution funding to only transporting students to and from school (except in the event of a transportation emergency as determined by the Public Regulation Commission), PED instructed schools to continue using transportation funds for the delivery of educational services and meals to students during school closures. PED limited in-person learning to early grade levels and special education students, which may have used transportation services during the public health emergency.

PERFORMANCE IMPLICATIONS

Some school districts note difficulties in recruiting and retaining school bus drivers. Establishing a set daily rate for school bus drivers may impact recruitment and retention efforts; however, the competitiveness of the \$150 per day salary may vary based on differences in regional rates and similar occupations.

ADMINISTRATIVE IMPLICATIONS

In determining school transportation distribution allocations, PED considers prior-year operational expenditures and several site characteristics, including:

- Students eligible for transportation,
- Students transported,
- Special education students,
- Number of buses in operation,
- Gross area of the school district,
- Population density (students transported divided by area),
- Total miles traveled, and
- Number of days in the school year.

Provisions of this bill would also require PED to consider costs of providing \$150 per day for each school bus driver performing school transportation services.

RELATIONSHIP

This bill relates to the public school transportation distribution appropriation in the General Appropriation Act. The bill also relates to House Bill 110, which increases the minimum wage to \$15 per hour, and House Bill 175, which requires PED to use data prior to FY21 in determining the FY22 school transportation distribution formula.

OTHER SUBSTANTIVE ISSUES

On February 14, 2019, the 1st Judicial District Court issued a final judgment and order on the consolidated *Martinez v. New Mexico* and *Yazzie v. New Mexico* education sufficiency lawsuits, and found that New Mexico's public education system failed to provide a constitutionally sufficient education for at-risk students, particularly English language learners, Native American students, and special education students. The court's findings suggested overall public school funding levels, financing methods, and PED oversight were deficient. As such, the court enjoined the state to provide sufficient resources, including instructional materials, properly trained staff, and curricular offerings, necessary for providing the opportunity for a sufficient education for all at-risk students.

Additionally, the court noted the state would need a system of accountability to measure whether the programs and services actually provided the opportunity for a sound basic education and to assure that local school districts spent funds provided in a way that efficiently and effectively met the needs of at-risk students. However, the court stopped short of prescribing specific remedies and deferred decisions on how to achieve education sufficiency to the legislative and executive branch instead.

The court found inequities in the school transportation distribution funding formula diverted operational revenues for instruction to transportation costs.

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