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## FISCAL IMPACT REPORT

ORIGINAL DATE 1/29/22

SPONSOR Pirtle LAST UPDATED \_\_\_\_\_ HB \_\_\_\_\_

SHORT TITLE School Bus Driver Compensation SB 110

ANALYST Liu/Torres

### APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY22	FY23		
	\$26,200.0	Nonrecurring	Appropriation Contingency Fund

(Parenthesis ( ) Indicate Expenditure Decreases)

### ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY22	FY23	FY24	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
<b>Total</b>			\$26,200.0	\$26,200.0	Recurring	General Fund

(Parenthesis ( ) Indicate Expenditure Decreases)

Relates to HB 2 and HB57  
 Duplicates Appropriation in the General Appropriation Act  
 Relates to Appropriation in the General Appropriation Act

### SOURCES OF INFORMATION

LFC Files

Responses Received From  
 Public Education Department (PED)

### SUMMARY

#### Synopsis of Bill

Senate Bill 110 appropriates \$26.2 million from the appropriation contingency fund to PED for the purpose of assisting school districts in increasing bus driver compensation in FY23. Any unexpended or unencumbered balance remaining at the end of FY23 would revert to the appropriation contingency fund. There is no effective date of this bill. It is assumed that the effective date is 90 days following adjournment of the Legislature.

## **FISCAL IMPLICATIONS**

The appropriation of \$26.2 million contained in this bill is a recurring expense to the general fund. Any unexpended or unencumbered balance remaining at the end of FY23 shall revert to the appropriation contingency fund. Although the bill does not specify future appropriations, establishing a new grant program could create an expectation the program will continue in future fiscal years; therefore, this cost is scored as recurring.

Funds in the appropriation contingency fund are dependent on expenditures from the state's emergency declarations and from federal reimbursements for prior disaster allotments. It is possible there will be insufficient funds in the appropriation contingency fund to meet this bill's appropriation if emergency allotment expenditures and federal reimbursements fail to meet expectations.

It is unclear if the bill is attempting to appropriate federal American Rescue Plan Act (ARPA) funds, which were appropriated to the appropriation contingency fund in the 2021 second special session. Those funds are expended in the General Appropriation Act of 2022 and may not be available for this or other uses.

According to PED's operating budget management system data, FY22 school transportation budgets include an estimated \$44.3 million for transportation personnel salaries and benefits and \$34.7 million for transportation contractors. Assuming 75 percent of transportation contractor funding is attributable to salaries and benefits and an average 25.8 percent fringe benefits ratio, the statewide estimated total funding budgeted for school transportation personnel salaries would be about \$55.7 million. Under these broad assumptions, the appropriation of \$26.2 million in this bill could provide enough funding for districts and contractors to offer school transportation personnel an average 37 percent salary increase for FY23.

PED estimates 2,100 school bus drivers operated buses for school districts and charter schools in FY22. As such, a proportional distribution of \$26.2 million to each school bus driver would be nearly \$12.5 thousand per driver, almost double an average school bus driver salary.

## **SIGNIFICANT ISSUES**

According to PED STARS data, school bus drivers are among the lowest paid educational personnel in New Mexico with a median salary of approximately \$15.8 thousand. The appropriation in this bill does not specify a target for increased salaries. While the appropriation would give PED a large amount of flexibility to decide how the funds are distributed, it also leaves a great deal of uncertainty about the legislative intent of the appropriation. PED notes the department would ultimately strive for equitable salary increases, but there are no statutory provisions tied to the bill requiring an equitable increase for school bus drivers. Moreover, the PED does not have administrative oversight over private school bus contractors, who are bound only by the state Minimum Wage Act.

## **ADMINISTRATIVE IMPLICATIONS**

This bill does not establish a target or method for determining salary increases. As such, PED would need to develop guidelines on how funding from this appropriation would be allocated to assist school districts in increasing school bus driver compensation. The department notes

distributing funding directly to school bus contractors would be administratively burdensome. The simplest distribution method would be reimbursing school districts and charter schools directly for increased bus driver salary expenses.

The school transportation distribution formula includes total operational expenditures as a key factor for determining annual allocations. Significant changes to school transportation personnel pay could have a large effect on transportation distributions, especially if salary increases are not uniform statewide.

### **DUPLICATION, RELATIONSHIP**

This bill duplicates the transportation distribution in the General Appropriation Act, which provides salary increases for school bus drivers. The bill also relates to ARPA appropriations made from the appropriation contingency fund in the General Appropriation Act.

The bill also relates to House Bill 57, which requires PED to allocate the FY23 transportation distribution exactly the same as the FY23 distribution.

### **ALTERNATIVES**

PED notes the LFC and executive FY23 budget recommendations for the General Appropriation Act include \$2.9 million and \$2.8 million, respectively, to provide a 7 percent increase in school transportation personnel salaries.

The federal Elementary and Secondary Schools Emergency Relief (ESSER) fund provided New Mexico schools a total of \$1.5 billion to maintain school operations, cover Covid-19 related emergencies, and address learning loss. Schools have until September 30, 2023, to expend \$435.9 million of the second round of stimulus aid and until September 30, 2024, to expend the remaining \$979.1 million for these purposes. To date, New Mexico schools have only expended \$159 million from total ESSER aid, or 10.4 percent. As such, schools could use federal funds to address the same purpose of this bill.

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