

GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2013

Legislative Fiscal Note

BILL NUMBER: House Bill 162 (First Edition)

SHORT TITLE: Lengthen Replacement Cycle for School Buses.

SPONSOR(S): Representatives Lucas, Glazier, Floyd, and Szoka

FISCAL IMPACT					
(\$ in millions)					
<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> No Estimate Available					
	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18
State Impact					
General Fund Revenues:	0.0	0.0	0.0	0.0	0.0
General Fund Expenditures:	(28.4)	(6.1)	(35.3)	(34.2)	(3.3)
State Positions:	0.0	0.0	0.0	0.0	0.0
NET STATE IMPACT	\$28.4	\$6.1	\$35.3	\$34.2	\$3.3

PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED:
 Department of Public Instruction, Local Education Agencies

EFFECTIVE DATE July 1, 2013

TECHNICAL CONSIDERATIONS:
 Yes - See Technical Considerations Section

BILL SUMMARY:

North Carolina appropriates funding to replace yellow school buses used for public school student transportation. This bill would modify the mileage standard the State Board of Education has utilized in determining replacement bus eligibility. That mileage standard would increase from the current standard of 200,000 miles to 250,000 miles. While mileage is only one of six factors considered in determining school bus replacement eligibility, it is the most significant factor in these determinations.

ASSUMPTIONS AND METHODOLOGY:

Current State Board of Education (SBE) policy considers multiple factors in considering whether a bus is eligible for replacement. Those factors include:

1. Age of the bus
2. Mileage of the bus
3. Condition of the bus

4. Availability of funds
5. Unique circumstances about a given bus
6. Buses destroyed by accident or vandalism

As previously noted, the current mileage standard is 200,000 miles. The Department of Public Instruction (DPI) has implemented the age standard at 20 years and it is not changed by this bill. The other four standards also remain unchanged.

North Carolina’s school bus purchases are made on a four-year financing schedule, so that a bus purchased in Fiscal Year 2012-13 would require annual partial payments through FY 2015-16.

For the purposes of the following calculations, the cost of purchasing buses is projected to rise annually by 3%, while the cost of financing is projected to remain constant at 2%.

Current vs Revised Replacement Bus Policy: Number and Cost of Buses

DPI maintains a database of every State-purchased bus, which also includes the age and mileage of the vehicles. Using this database, DPI projects replacement bus eligibility. The following table summarizes the projected replacement eligibility and associated costs over the next five years under the existing 200,000 mile replacement standard:

Fiscal Year	# Eligible Buses to Replace	Average Financed Price	Total Extended Finance Cost	Annual Payment	Prior Year Obligations	Total Cost
2014	1926	\$ 86,007	\$ 165,650,193	\$ 41,412,548	\$ 26,168,595	\$ 67,581,143
2015	998	\$ 88,588	\$ 88,410,415	\$ 22,102,604	\$ 66,617,158	\$ 88,719,762
2016	930	\$ 91,245	\$ 84,858,053	\$ 21,214,513	\$ 63,515,152	\$ 84,729,665
2017	934	\$ 93,983	\$ 87,779,724	\$ 21,944,931	\$ 84,729,665	\$ 106,674,596
2018	904	\$ 96,802	\$ 87,509,055	\$ 21,877,264	\$ 65,262,048	\$ 87,139,312

Using the 250,000 mile standard required by this bill, there is a significant decrease in buses eligible for replacement. The following table summarizes the projected replacement eligibility and associated costs over the next five years under the revised 250,000 mile replacement standard:

Fiscal Year	# Eligible Buses to Replace	Average Financed Price	Total Extended Finance Cost	Annual Payment	Prior Year Obligations	Total Cost
2014	604	\$ 86,007	\$ 51,948,451	\$ 12,987,113	\$ 26,168,595	\$ 39,155,708
2015	721	\$ 88,588	\$ 63,871,652	\$ 15,967,913	\$ 38,191,723	\$ 54,159,636
2016	896	\$ 91,245	\$ 81,755,715	\$ 20,438,929	\$ 28,955,026	\$ 49,393,955
2017	984	\$ 93,983	\$ 92,478,853	\$ 23,119,713	\$ 49,393,955	\$ 72,513,668
2018	1005	\$ 96,802	\$ 97,286,062	\$ 24,321,515	\$ 59,526,555	\$ 83,848,071

The annual reduction in projected State General Fund expenditures due to adoption of the 250,000 mile policy is as follows:

Mileage Standard	2014	2015	2016	2017	2018
250,000 Miles	\$ 39,155,708	\$ 54,159,636	\$ 49,393,955	\$ 72,513,668	\$ 83,848,071
200,000 Miles	\$ 67,581,143	\$ 60,294,326	\$ 84,729,665	\$ 106,674,596	\$ 87,139,312
Cost Difference	\$(28,425,435)	\$ (6,134,691)	\$ (35,335,710)	\$ (34,160,928)	\$ (3,291,241)

SOURCES OF DATA: Department of Public Instruction

TECHNICAL CONSIDERATIONS: The implementation of the 250,000 mile replacement policy may have an impact on the average cost of bus repairs. Buses in operation for 50,000 additional miles are likely more prone to require certain kind of repairs as compared to buses in their first 50,000 miles of operations. The State supports the cost of most school bus repairs through its public schools appropriations to school districts. However, FRD does not have any concrete data with which to estimate the potential increased cost of repairs.

Additionally, in certain parts of the State with greater exposure to harsh weather, additional buses may become eligible for replacement under the “condition of the bus” criteria between 200,000-250,000 miles. This analysis does not have the capacity to accurately predict to what extent buses may trigger that additional condition. In both cases, if the bill becomes law, the first few years of implementation would provide data to better inform future analyses.

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DATE: March 20, 2013



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