

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 80TH LEGISLATIVE REGULAR SESSION

May 8, 2007

TO: Honorable John Carona, Chair, Senate Committee on Transportation & Homeland Security

FROM: John S. O'Brien, Director, Legislative Budget Board

IN RE: HB323 by Hamilton (Relating to three-point seat belts on buses that transport schoolchildren.), **Committee Report 2nd House, Substituted**

Estimated Two-year Net Impact to General Revenue Related Funds for HB323, Committee Report 2nd House, Substituted: an impact of \$0 through the biennium ending August 31, 2009.

The bill would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the bill.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2008	\$0
2009	\$0
2010	\$0
2011	(\$260,700,000)
2012	(\$318,500,000)

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from <i>GENERAL REVENUE FUND</i> 1
2008	\$0
2009	\$0
2010	\$0
2011	(\$260,700,000)
2012	(\$318,500,000)

Fiscal Analysis

The bill would require all school buses purchased by school districts purchased after September 1, 2010 to be equipped with seatbelts for each passenger. The bill also would require all buses operated or contracted for use by a district on or after September 1, 2014 to be equipped with seatbelts. The bill would take effect September 1, 2007. Section 4 of the bill would prohibit the bill from taking effect unless the legislature appropriates money specifically for the purpose of reimbursing school districts for expenses incurred in complying with the bill.

Methodology

According to the Texas Education Agency (TEA), seating capacity of school buses would be reduced by 20 percent once seat belt systems are included. Once a school district purchased or retrofitted buses

with seat belts, it would need to acquire additional buses and travel additional route miles to transport the same number of students to and from school. Additional miles would generate additional Foundation School Program (FSP) state costs in the transportation allotment. Due to changes made by House Bill 1, 79th Legislature, 3rd Called Session, increases to Foundation School Program formula funding elements are generally either offset by a decrease in districts' entitlement to hold harmless funds or an increase in funds dragged back to hold districts to a total revenue target. Since the bill does not amend Texas Education Code 42.2516 regarding the calculation of school district entitlements under the Foundation School Program, no net cost to the state associated with increases to the transportation allotment is expected.

If Texas Education Code 42.2516 were amended to allow for changes in the transportation allotment to impact state aid, the estimated state cost through the transportation allotment would be approximately \$18.4 million in fiscal year 2011 and \$36.8 million in fiscal year 2012. These costs would increase until full implementation in fiscal year 2015.

Based on the language in Section 4 of the bill, it is assumed for the purposes of this fiscal note that the legislature would appropriate funds to reimburse districts for incurred expenses. As a result, it is assumed that the state would reimburse in full local costs resulting from the provisions of the bill.

The Texas Department of Criminal Justice estimates the cost of equipping a new bus with safety seats at about \$6,300 inclusive of labor. Buses outfitted with safety seats decrease school bus seating capacity by an estimated 20 percent, which would affect the number of school buses districts would need to purchase to meet demand. Assuming that districts would replace 25 percent of school buses each year between fiscal year 2011 and 2014 in order to meet the 2014-15 school year deadline, the incremental local cost associated with the cost of retrofitting existing buses with safety seats, the cost of purchasing and staffing additional buses due to lost seating capacity, and additional costs associated with increased route miles due to the lower seating capacity per bus outfitted with safety seats would be about \$260.7 million in fiscal year 2011 and \$318.5 million in fiscal year 2012. Costs would increase at a similar rate annually and continue into future years until full implementation in fiscal year 2015. To the extent that school districts opted to retrofit buses with seat belt systems on a more aggressive schedule, costs could begin as early as fiscal year 2008 but annual amounts would decrease somewhat as costs are spread across a longer timeframe.

Local Government Impact

Local costs to implement the provisions of the bill are estimated to cost \$260.7 million in fiscal year 2011 and \$318.5 million in fiscal year 2012, increasing by a like amount in fiscal year 2013 and 2014. Based on the language in Section 4 of the bill, for the purposes of this fiscal note, it is assumed that the state would fully reimburse districts for these costs.

If Texas Education Code 42.2516 were amended to allow for changes in the transportation allotment to impact state aid, districts would experience an increase to their transportation allotment state aid by an estimated \$18.4 million in fiscal year 2011 and \$36.8 million in fiscal year 2012. These costs would increase until full implementation in fiscal year 2015. It is assumed that this state aid would be part of the overall reimbursement of local costs by the state as assumed under the language of Section 4 of the bill.

Source Agencies: 601 Department of Transportation, 701 Central Education Agency

LBB Staff: JOB, SD, KJG, UP, MW, JGM, TG