

LEGISLATIVE FISCAL ESTIMATE
SENATE, No. 3734
STATE OF NEW JERSEY
220th LEGISLATURE

DATED: JUNE 5, 2023

SUMMARY

Synopsis: Extends useful service life of certain school buses to 20 years.

Type of Impact: Reduction in local expenditures.

Agencies Affected: School Districts.

Office of Legislative Services Estimate

Fiscal Impact	<u>Year 1 Through Year 5</u>	<u>Year 6 through Year 8</u>
Annual Local Expenditure Decrease	\$29 million to \$38 million	Indeterminate

- The Office of Legislative Services (OLS) estimates that the bill would decrease local expenditures by allowing certain school districts, which own the school buses that are used to provide pupil transportation service, to extend the permitted service lives of certain buses by five or eight years, based on certain characteristics of the bus. As a result, these school districts would no longer be required to purchase certain new school buses during the five to eight year period following the effective date of the bill.
- According to information provided to the OLS in 2018, approximately 1,500 to 2,000 new school buses are purchased each year. 50 percent of newly purchased buses would be replacing buses that have reached their mechanical useful life and could not be extended even if the bill was enacted. Approximately 60 percent of buses would qualify for the extension. Of the 438 school districts in the State that provide pupil transportation services, approximately 282 school districts, or 64 percent of districts, own their bus fleet. Based on this information, the OLS estimates that the bill would permit certain school districts to forgo the purchase of roughly 288 to 384 new school buses per year during the initial five-year extension provided under this bill.
- Assuming the average cost of a mid-size diesel school bus is approximately \$100,000, the OLS estimates that certain school districts could experience aggregate annual expenditure reductions of up to \$29 million to \$38 million for the first five years after the enactment of this bill. During the following three years, these school districts are also expected to experience

lesser, indeterminate cost savings associated with the eight-year extension of the permitted service life for Type S school buses.

BILL DESCRIPTION

This bill extends the statutorily permitted useful service life of certain school buses to 20 years. The provisions of the bill apply to: (1) Type S school buses, for which the statutorily permitted useful life would be extended by eight years; (2) school buses manufactured on or after January 1, 2007 that have a gross vehicle weight that does not exceed 25,000 pounds, for which the statutorily permitted useful life would be extended by five years; and (3) school buses manufactured prior to January 1, 2007 that have been installed with closed crankcase technology and have a gross vehicle weight that does not exceed 25,000 pounds, for which the statutorily permitted useful life would be extended by five years. Notably, the bill explicitly provides that its provisions are not to be construed to allow the use of any school bus for pupil transportation purposes if the school bus is determined to be unsafe or unfit for pupil transportation.

Under current law, Type S school buses have a useful service life of 12 years. Additionally, school buses manufactured prior to January 1, 2007 that are equipped with closed crankcase technology and weigh 25,000 pounds or less, and school buses manufactured after January 1, 2007 that weigh 25,000 pounds or less have a useful service life of 15 years under current law.

FISCAL ANALYSIS

EXECUTIVE BRANCH

None received.

OFFICE OF LEGISLATIVE SERVICES

The OLS estimates the bill would result in aggregate annual savings of up to \$29 million to \$38 million for certain school districts during the first five years after the enactment of the bill. During the three following years, these school districts would also be expected to experience lesser, indeterminate cost savings associated with the extended service life of Type S school buses.

The bill is expected to decrease local expenditures by allowing certain school districts, which own the school buses that are used to provide pupil transportation service, to extend the permitted service lives of certain buses for five to eight years, thereby delaying the district's need to purchase certain new school buses by five to eight years.

The New Jersey Motor Vehicle Commission provided the OLS information in 2018 noting that approximately 1,500 to 2,000 newly purchased school buses are submitted for inspections annually. According to industry data, the mechanical useful life of school buses is 12 to 15 years. Based on this data, the OLS estimates that 50 percent of newly purchased buses would be replacing buses that have reached their mechanical useful life and could not be extended even if the bill was enacted. Approximately 60 percent are expected to qualify for the extension. Information provided to the OLS also indicates that of the 438 school districts that provide pupil transportation service, approximately 282 school districts, or 64 percent of districts, own their school bus fleet. Based on this information, the OLS estimates that the bill would permit certain school districts to forgo the purchase of roughly 288 to 384 new school buses per year during the initial five-year extension provided under this bill.

Assuming that the average cost of a mid-size diesel school bus is approximately \$100,000, the OLS estimates that certain school districts could experience aggregate annual expenditure reductions of up to \$29 million to \$38 million during the first five years after the enactment of this bill. During the following three years, these school districts are also expected to experience lesser, indeterminate cost savings associated with the eight-year extension of the permitted service life for Type S school buses.

Section: Authorities, Utilities, Transportation and Communications

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This legislative fiscal estimate has been produced by the Office of Legislative Services due to the failure of the Executive Branch to respond to our request for a fiscal note.

This fiscal estimate has been prepared pursuant to P.L.1980, c.67 (C.52:13B-6 et seq.).