

LEGISLATIVE FISCAL ESTIMATE

[First Reprint]

SENATE, No. 3734

STATE OF NEW JERSEY
220th LEGISLATURE

DATED: JULY 6, 2023

SUMMARY

- Synopsis:** Extends useful service life of certain school buses to 20 years; provides temporary one-year extension of service life of Type S school buses.
- 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>
Annual Local Expenditure Decrease	\$29 million to \$38 million

- 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 years. As a result, these school districts would no longer be required to purchase certain new school buses during the five-year period following the effective date of the bill.
- 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.

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) 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 (2) 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. Additionally, this bill permits the Chief Administrator of the New Jersey Motor Vehicle Commission to extend the retirement date of a Type S school bus by one year upon request by the owner, provided that the Type S school bus passes an additional inspection. Notably, the bill explicitly prohibits the chief administrator from granting a Type S school bus more than one extension and 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.

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 years, thereby delaying the district's need to purchase certain new school buses by five years. The provisions of this bill would potentially extend certain qualifying Type S school buses for one year, at the discretion of the chief administrator, resulting in additional expenditure decreases. However, the OLS is unable to quantify the impact of those decreases due to the following unknown factors: (1) the number of Type S school buses owned by school districts; (2) the number of Type S school buses owned by these districts that would pass inspection; and (3) the number of school districts that would elect to extend the service life of Type S school buses.

The 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.

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.).