2009 Regular Legislative Session FISCAL ANALYSIS OF PROPOSED LEGISLATION Prepared by the Oregon Legislative Fiscal Office

MEASURE NUMBER: HB 2795 STATUS: A Engrossed

SUBJECT: Requirement to retrofit and replace certain school buses in Oregon

GOVERNMENT UNIT AFFECTED: Department of Education, local education agencies

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DATE: April 25, 2009

<u>2009-2011</u> <u>2011-2013</u>

EXPENDITURES:

See analysis

EFFECTIVE DATE: January 1, 2010

LOCAL GOVERNMENT MANDATE: This bill does not affect local governments' service levels or shared revenues sufficient to trigger Section 15, Article XI of the Oregon Constitution.

ANALYSIS: The measure provides that all school buses in Oregon with diesel engines must be retrofitted with 2007 equivalent engines and 2007 fine particulate matter capture technology by January 1, 2017 or replaced with school buses manufactured on or after January 1, 2007, by January 1, 2025.

The Oregon Department of Education (ODE) currently reimburses school districts for 70% for the depreciation of bus replacements. The school districts use resources within the district to make up the remaining 30%. The school districts contacted by the Legislative Fiscal Office have school bus replacement plans and the replacement schedules depend on several factors including the mileage of the bus, if it is cost-beneficial to retrofit instead of replace a bus, and available funding. Salem-Keizer School District uses the interest earnings from the depreciation funds paid by ODE to fund the 30% that it is responsible for. The district also uses the moneys earned from the trade-in value of its buses at the end of their life cycles to purchase new buses and retrofit others. The Salem-Keizer School District reports that there will not be a fiscal impact to the district that will exceed the costs associated with its normal replacement timeline. It is not known whether the bus replacement schedules of all districts statewide align with the bus retrofitting and replacement requirement timelines in the bill.

Currently several school districts in Oregon receive grants from the Clean Diesel Engine Fund administered by the Department of Environmental Quality to reduce diesel emissions. The funding for these grants comes from a combination of state General Funds and federal grants. Because school districts would be required to retrofit all diesel engine buses with 2007 equivalent engines and 2007 fine particulate matter capture technology by January 1, 2017 they may be more likely to apply for this grant funding or other sources of grant funding such as federal grant funding administered by the Environmental Protection Agency.

There are 1,699 buses with diesel engines that were manufactured prior to 2007. ODE estimates that the cost to retrofit these buses would be \$11.9 million over a seven year span, of which 70% or \$8.3 million would be paid by ODE and 30% or \$3.6 million would be paid by the districts themselves. This estimate is based on the assumption that retrofitting these diesel engine buses with fine particulate matter capture technology would cost \$7,000 per bus. There are 297 buses with diesel engines that were manufactured

prior to 1994 and wouldn't be eligible for retrofitting and would need to be replaced. ODE reports that the cost to replace these buses is indeterminate because it is not known when the reimbursement would begin, or for how many buses, or how many buses would be replaced on a normal replacement schedule without the requirements of this measure. Currently, school districts replace a total of approximately 400 school buses per year. Although the fiscal impact is indeterminate, ODE anticipates that the replacement timeline associated with the measure will align with the normal replacement schedules that are already in place.