

**LEGISLATIVE EDUCATION STUDY COMMITTEE
BILL ANALYSIS**

Bill No: *HB 205

49th Legislature, 1st Session, 2009

Short Title: School District Bus Purchasing Authority

Sponsor(s): Representative Jane E. Powdrell-Culbert and Others

Analyst: Peter B. van Moorsel

Date: February 10, 2009

Bill Summary:

HB 205 amends the article of the *Public School Code* regulating the transportation of students to:

- require, if a contract with a school bus contractor is terminated or not renewed, that three qualified appraisers appraise the operator's buses used pursuant to the contractor's contract;
- provide the school district with the first option to purchase all of the buses of the contractor at the appraised value minus any overpayments that the contractor owes to the school district. The option must be exercised by giving written notice to the contractor within 15 days of receipt of the appraisal. If the school district exercises its option to purchase the buses, it must do so within 15 days it delivers its intention to purchase to the contractor.
- provide that, if the school district does not exercise its option to purchase, it may require the contractor succeeding to the contract to purchase all of the buses owned by the former contractor at their appraised value.

* HB 205 contains an emergency clause.

Fiscal Impact:

HB 205 does not contain an appropriation.

Because rental fees to contractors are paid on a five-year cycle, and the buses are replaced on a 12-year cycle, school districts initially make overpayments of rental fees to contractors by paying in five years to use a bus for 12 years. HB 205 would require, if a school district purchases buses from a contractor whose contract expired or was terminated, that the price paid for the buses be their assessed value minus the amount that was overpaid to the contractor.

According to the Public Education Department (PED) the district's cost to buy buses from a contractor would depend on the amount of the overpayment, which in turn depends on the rental fee and the length of time that the bus has been in use.

Issues:

School districts initially make overpayments of rental fees to contractors by paying in five years to use a bus for 12 years (see Background). HB 205 would require, if the district elects to

purchase the buses from the contractor, that these overpayments be deducted from the value of the buses.

PED reports that the purchase of buses from a contractor whose contract is terminated or not renewed may be complicated when buses are financed, because the finance company, and not the contractor, would hold title to the bus. PED reports that the district would not be able to purchase the school bus without a clear title of registration.

Background:

The *Public School Finance Act* requires PED to establish procedures for the purchase of school bus transportation equipment. These procedures developed by PED include:

- a 12-year replacement cycle for school buses, and
- in the case of contractor-owned buses, a five-year schedule for the payment of rental fees.

If a school bus service contract is terminated, PED must calculate the remaining number of years that a bus could be used based on the 12-year replacement cycle and calculate a corresponding value.

Statute requires the school district to deduct an amount equal to that value from any remaining amount due on the contract. If no balance remains on the contract, the contractor must reimburse the school district in an amount equal to the value calculated.

Related Bills:

*HB 191 *Interim School Transportation Task Force*
HB 485 *Contractor-Owned School Bus Liens*