

**LEGISLATIVE EDUCATION STUDY COMMITTEE  
BILL ANALYSIS**

**Bill Number:** HB 532

**51st Legislature, 1st Session, 2013**

**Tracking Number:** .192960.1

**Short Title:** School District Liens on Certain School Buses

**Sponsor:** Representative Roberto “Bobby” J. Gonzales and Others

**Analyst:** David T. Craig

**Date:** March 7, 2013

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**Bill Summary:**

HB 532 amends the *Public School Finance Act* to require a school district to file a lien with the Motor Vehicle Division of the Taxation and Revenue Department (TRD) on every contractor-owned school bus under contract with the district, not just the ones on which the contractor owes money.

**Fiscal Impact:**

HB 532 does not contain an appropriation.

**Current Law:**

Currently, the *School Finance Act* (act) requires the Public Education Department (PED) to establish:

- a systematic program for the purchase of necessary school bus transportation equipment;
- a schedule for the payment of rental fees for the use of contractor-owned buses;
- procedures to ensure the systematic replacement of buses on a 12-year replacement cycle; and
- a deduction from a school district’s transportation distribution, any amount that a school district fails to collect when a school bus contract is terminated or not renewed.

Among its other provisions, the act requires a school district to:

- file a lien on every contractor-owned school bus with the Motor Vehicle Division of the Taxation and Revenue Department;
- record the lien on the title of the school bus;
- release its lien on a school bus when (1) PED authorizes a replacement; or (2) when the contractor has reimbursed the district an amount owed if the school bus service contract is terminated or not renewed; and
- not pay rental fees for any one bus for a period in excess of five years.

For a school bus contractor, the act prohibits a contractor from refinancing or using a school bus on which a school district has a lien as collateral for any other loan without prior written permission of the department.

### **Substantive Issues:**

The current section of law regarding liens was implemented by the Legislature in 2009. Districts pay contractor rental fees for up to five years for buses used for 12 years, which results in overpayments of rental fees.

According to the Public Education Department (PED) analysis of HB 532:

- since 1996, school districts have experienced difficulty in collecting rental fee overpayments after school bus contracts were terminated or not renewed;
- in most cases, school buses are not transferred to the school district or the succeeding contractor; and
- as a result, school districts have incurred increased school bus replacement costs.

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.

Proposed changes in HB 532 would require that the lien be in place only for the length of the contract. This change would:

- allow for easier entrance and exit from the business for school bus contractors; and
- facilitate transfer of liens to new contractors if a school bus contractor wanted to sell the school bus contracting business.

The proposed change would not affect the calculation used for the return of any rental fee overpayments.

### **Background:**

During the 2012 interim, the Legislative Education Study Committee (LESC) convened a school transportation subcommittee to examine school bus transportation data, funding and safety issues and to provide recommendations to the full committee prior to the 2013 legislative session.

One discussion item among members was the issue of school district liens on contractor-owned school buses. Contractors provided input that these liens, when combined with liens for the actual payment on the bus, make it difficult to exit or enter the school bus contractor business or to transfer the business to another individual.

### **Committee Referrals:**

HTPWC/HEC

### **Related Bills:**

HB 290 *K-3 Plus Program School Buses*

HB 328a *School Bus Fuel Gross Receipts*

HB 419a *School Transportation Reporting Dates*

*\*HB 447a Transportation Emergency Funding*  
*HB 532 School District Liens on Certain School Buses*  
*HB 553a Charter Schools Transportation Funding*  
*HB 603 School District Bus Rental Fee Times*  
*SB 576 School Bus GPS Devices*