

**LEGISLATIVE EDUCATION STUDY COMMITTEE  
BILL ANALYSIS**

**Bill Number:** HB 603

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

**Tracking Number:** .191425.1

**Short Title:** School District Bus Rental Fee Times

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

**Analyst:** David Craig

**Date:** March 6, 2013

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**FOR THE LEGISLATIVE EDUCATION STUDY COMMITTEE**

**Bill Summary:**

HB 603 amends the Public School Finance Act to increase the period of time that a school district may pay rental fees for each contractor school bus to 12 years from five years.

**Fiscal Impact:**

HB 603 does not contain an appropriation.

**Fiscal Issues:**

The length of time that school districts pay rental fees to help contractors finance new bus purchases is statutorily capped at five years. If a bus contractor wants to finance a bus over a longer period of time, there is currently no provision in law to allow for that. HB 603 would grant school bus contractors this flexibility. While HB 603 does not require school bus contractors or school districts to extend the length of time a bus is financed beyond five years, it does allow for additional flexibility in financing.

According to the PED analysis, in the event that a contract is terminated or not renewed the PED will have to:

- calculate the remaining number of years that the bus could be used based on a 12-year replacement cycle (see “Current Law,” below);
- calculate a value reflecting that use; and
- collect an overpayment from the contractor (which is the difference between the calculated value and the lowest appraised value of the bus).

Also according to the PED analysis:

- the overpayment for contractors will be significantly lower if the contract is terminated before the 12 year obligation is completed; and
- overpayments are collected in the event of a contract termination to protect the state’s investment.

## **Current Law:**

Currently, the *School Finance Act* (act) requires 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.

## **Background:**

During the 2012 interim, the Legislative Education Study Committee (LESC) convened a school transportation subcommittee, which included members of the Legislature and other interested parties, such as school administrators and private school bus contractors. The subcommittee met several times during the interim to discuss issues related to school transportation including:

- school bus replacement schedules;
- allocations through the school transportation funding formula; and
- options to deal with high fuel costs, which included alternative funding mechanisms, fuel price forecasting methods, and cost-saving measures.

The provisions of HB 603 include the subcommittee's recommendations to the LESC during the committee's January 14, 2013 meeting.

## **Committee Referrals:**

HTPWC/HAFC

## **Related Bills:**

HB 290 *K-3 Plus Program School Buses*  
HB 328 *School Bus Fuel Gross Receipts*  
HB 419 *School Transportation Reporting Dates*  
HB 447 *Transportation Emergency Fund*

HB 532 *School District Liens on Certain School Buses*

HB 533 *School Transportation Training Fund*

HB 553 *Charter Schools Transportation Funding*

\*SB 60 *Severance Tax Bond Projects*

\*SB 160a *Biodiesel Definitions*

SB 576 *School Bus GPS Devices*