

**LEGISLATIVE EDUCATION STUDY COMMITTEE  
BILL ANALYSIS**

**Bill Number:** HB 97

**51st Legislature, 2nd Session, 2014**

**Tracking Number:** .194931.1

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

**Sponsor(s):** Representative Roberto “Bobby” J. Gonzales

**Analyst:** David Craig

**Date:** February 5, 2014

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**FOR THE LEGISLATIVE EDUCATION STUDY COMMITTEE**

**Bill Summary:**

H 97 amends the *Public School Finance Act* to require school district liens on contractor-owned school buses under contract to the school district.

**Fiscal Impact:**

HB 97 does not contain an appropriation.

**Fiscal Issues:**

According to the Legislative Finance Committee’s (LFC) Fiscal Impact Report (FIR):

- enactment of HB 97 would mitigate the state’s vulnerability to collection of monies owed and result in cost savings;
- protect school districts in the instance of a contractor declaring bankruptcy; and
- decrease distributions made from the Transportation Emergency Fund to purchase school buses when contracts are terminated, not renewed, or a contractor goes out of business.

**Substantive Issues:**

HB 97 reflects the work of the 2013 LESC Interim Subcommittee on School Bus Transportation. The subcommittee met several times during the interim to discuss issues related to school transportation including reviewing LESC-endorsed legislation considered by the 2013 Legislature.

One item of discussion was a bill clarifying requirements for a school district to file a lien on every contractor-owned school bus, not only those on which the contractor owes money. The Public Education Department (PED) staff provided testimony that language identical to HB 97 would require a school district to have a 12-year term lien filed on contractor-owned buses, rather than the five-year rental period required by current law.

According to the bill analysis by PED:

- in 2009 legislation was enacted to amend the *Public School Finance Act* provisions for transportation equipment to require school districts to file a lien on every contractor-owned school bus under the contract;

- these amendments were added because:
  - it was difficult for school districts to collect any overpayment made for rental fees from contractors when a school bus contract was terminated or not renewed;
  - in many cases school buses were not transferred to the school district or succeeding contractor, resulting in increased costs to replace necessary school buses; and
  - requiring school district to file a lien on every contractor bus will prevent contractors from selling the school buses without paying the overpayment and will prevent the state from having to purchase new buses.
- the issue with the current statute is that the liens are required to be filed on contractor-owned buses on which the contractor owes money;
- there are several instances where a contractor will pay cash for a bus or the bus will be paid off;
- in these cases a lien is not required to be filed which puts school districts and the state in the same predicament; and
- the majority of contractors finance a school bus for five years which is the same length of time they will be receiving rental fees from the state, but after the five years the contractor will not owe any money; therefore, the district will not be required to file a lien because the contractor does not owe any money.

Finally, PED's bill analysis provides two past instances that occurred prior to liens on school buses:

- 1) A past court case challenged the school district's ability to collect overpayments as a result of a contract non-renewal rather than a contract termination. The school district prevailed in this case; however, full judgment (interest) was not collected. The contractor did not sell its school buses to the district, resulting in new buses being purchased for the district.
- 2) Another recent instance involved a contract non-renewal. The school bus was used to secure a bank loan and was not available for transfer to the district. The district did not take legal action against the contractor for the overpayment because it appeared that the contractor did not have the resources to return any overpayment. The district decided to operate the transportation services, resulting in approximately \$1.6 million in new school bus purchases.

### **Committee Referrals:**

HTPWC/HJC

### **Related Bills:**

HB 98 *School Transportation Training Fund*  
 HB 158 *School Bus Security & GPS*  
 HB 169 *School Transportation Boundary Agreements*  
 SB 258 *School Transportation & Tribal Leaders*  
 SJM 12a *Study Transporting School Students*