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FISCAL IMPACT REPORT

ORIGINAL DATE 02/12/09

SPONSOR Powdrell-Culbert LAST UPDATED _____ HB 205

SHORT TITLE School District Bus Purchasing Authority SB _____

ANALYST Haug

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY09	FY10		
	NFI		

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Department of Finance and Administration (DFA)
Attorney General (AGO)

SUMMARY

Synopsis of Bill

House Bill 205, with the emergency clause, amends NMSA 1978, Section 22-16-3 regarding school bus operation contracts. If a school bus operator's contract is terminated or not renewed, House Bill 205 permits the school district to have the "first option" to purchase school buses (at the appraised value minus any payments due to the contractor). If the school district does not exercise its option to purchase, it may require the operator succeeding to the contract to purchase all of the buses owned by the former operator at their appraised value, regardless of the former operator's desire to sell.

FISCAL IMPLICATIONS

The PED notes that there will always be a potential for a difference in the over payment and the appraised value of the school buses. For example, a newer school bus is going to have a higher appraised value than the amount of overpayment to a contractor. There is no appropriation contained within this legislation that would support the school district to cover the value when the overpayment is less than the appraised value.

SIGNIFICANT ISSUES

The current statute requires a succeeding contract operator to purchase at appraised value all of the buses owned by the former operator, with the “approval of the operator whose contract was terminated.” The amended statute would leave it to the discretion of the local board if it would require the succeeding operator to purchase the buses owned by the former operator, who must sell the buses to the succeeding operator if the local board chooses the option to require the succeeding operator to purchase the buses.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

The PED states that school districts would have to continue with the current statute and contract provisions executed. In the event of a contract termination the district does have the option to be the succeeding operator. The operator succeeding to the contract shall purchase, with the approval of the operator whose contract was terminated, all of the buses owned by the former operator at their appraised value. If the contract operator does not wish to sell the school buses, the district may be responsible for the purchase of equipment.

GH/svb