

SENATE BILL REPORT

SB 5476

As of May 18, 2011

Title: An act relating to school bus depreciation.

Brief Description: Changing school bus depreciation provisions.

Sponsors: Senator Murray; by request of Office of Financial Management.

Brief History:

Committee Activity: Ways & Means: 5/16/11.

SENATE COMMITTEE ON WAYS & MEANS

Staff: Elise Greef (786-7708)

Background: Most school districts purchase and operate their own school buses. Fifteen districts contract with private operators to provide pupil transportation. The primary sources of revenue for districts' school bus purchases include state funding, local levies, and proceeds from the sale of used school buses. (The cost of operating and maintaining school buses is accounted for separately in school districts' operating budgets.)

The state funding for school bus replacement is provided through annual payments based on depreciation (for contracting districts) and/or payments based on replacement costs (for school buses owned by the school district). Scheduled lifetimes of new buses are either eight or 13 years depending on the type of bus. There are also adjustments to the state annual payments to account for interest earnings on prior annual payments, under the assumption those interest-earnings contribute to the bus replacement purchase.

State funding for this purpose is forecasted to total approximately \$126 million in the 2011-13 biennium, for both contractor depreciation and new system depreciation. In the 2009-10 school year, state funds accounted for about 87 percent of school bus replacement revenue.

Summary of Bill: The school bus funding for districts that purchase their own buses is modified. The current annual payment system, accumulating funds for bus replacement over a period of years, is replaced with a system that provides a single payment in the final year in the lifetime of the vehicle. There is no change to the payment system for contracting districts.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

Effective Date: The bill contains an emergency clause and takes effect on July 1, 2011.

Staff Summary of Public Testimony: PRO: This was originally Office of Financial Management-request legislation to support the Governor's proposal to change the method of bus replacement funding. The Governor's proposal came within the context of a \$90 million increase for pupil transportation operating funding. This was viewed as the first step of the enhancements to be phased in to transportation operating funding. In better fiscal times, this probably wouldn't have been the method of funding the operating enhancement but we're aware of the constraints districts face to fund the operating budgets. We prefer the bill in concert with the operating funding enhancement and still recommend it to you in that context but, also, recognize the ongoing budget negotiations with the House.

CON: In recent years, the state has put a tremendous amount of money into the transportation capital budget to get pre-1994 buses off the road or retrofit them because of diesel emissions impacts to the environment and, more importantly, students' health. If districts do not receive yearly depreciation funding, they'll be forced to keep older, less efficient, dirtier buses for more years. Many districts use this revenue stream to pay for lease/purchase arrangements. If districts have to backfill this revenue with local dollars, there will be less available for student programs and teacher salaries. Bus vendors who serve our districts will have a more difficult time keeping their doors open; fewer sales translates to lower state revenue collections on those sales. One vendor reports that 40 bus orders have been cancelled or put on hold. Although there might be early savings, this will eventually cost more in the long run because the state will be on the hook for the full cost, including interest. The current system is fair and equitable. It is one of the few formulas in the K-12 funding system that no one complains about. Please don't break this system. Worn-out buses translate to unsafe buses and the safety of the pupils should be an important priority. Districts currently buy buses on time and, also, buy options that aren't covered by state funding for the minimum bus specification so use transportation-vehicle-fund balances to cover; if the annual payments are stopped, districts will not have sufficient resources to buy the next round of buses. This bill would disrupt a system that works and replace it with a system that underfunds basic education, creates financial hardship, and forces districts to keep vehicles longer than is optimal or cost-effective. Many districts that have pledged future depreciation revenue to pay for buses already purchased under Certificates of Participation arrangements. There is an inherent bias in the bill toward contracts.

Persons Testifying: PRO: Jim Crawford, Senior Budget Assistant to the Governor, Office of Financial Management.

CON: Ron Lee, Washington Association of Pupil Transportation (WAPT), North Kitsap School District; Tom Culliton, WAPT, North Mason School District; Lionel Pinn, WAPT, Centralia/Chehalis Transportation Cooperative; Scott Logan, WAPT, Highline School District; John Clark, WAPT, Tumwater School District; Ken Kanikeberg, Office of

Superintendent of Public Instruction; Doug Nelson, Public School Employees of Washington; Frank Hewins, Franklin-Pierce School District; Dan Steele, Washington Association of School Administrators.