

LEASING SCHOOL BUSES

Recent changes in transportation funding have forced school districts to examine alternative ways to replace older school buses. Some school districts have started leasing school buses.

The lease expense may be included as authorized (eligible for state aid) transportation expenditures if the following conditions are met:

The lease agreement entered into by the district does not result in ownership of the school bus at the end of the lease. The school bus must be returned to the leasing company or dealership. (The district may purchase the school bus from the leasing company or dealership if the purchase was not part of the lease agreement. See paragraph below for additional information.)

During the lease, the dealership or manufacturer must be listed as the owner on the Certificate of Title. The school district cannot be listed on the Certificate of Title as that denotes ownership.

The school bus must be used for a category of transportation that is authorized for transportation funding. For example, expenditures reported in Finance Dimensions 720 and 726 (Regular and Nonpublic Nonregular) are used to calculate nonpublic transportation funding. Expenditures reported in Finance Dimension 723 (Disabled) are used to calculate special education transportation funding.

The lease expenditures must be identified by Object Dimension 370, Operating Leases and Rentals.

If the leased school bus is used for many different categories of transportation service, the lease expense must be allocated among all of the different categories of transportation services according to Minn. Stat. 123B.92. For example, if a leased school bus is used to transport students with disabilities to and from school (Finance Dimension 723) and to take students on a field trip (Finance Dimension 733), then the cost of the lease must be allocated among all finance dimensions based on the number of miles incurred for each category of transportation service.

If the school district decides to purchase the school bus from the leasing company or dealership at the end of the lease, the district must pay the fair market value of the school bus. The purchase of the school bus would be recorded in, Finance Dimension 302, if purchased from Total Operating Capital account; Finance Dimension 733or Finance Dimension 000, if purchased from general fund monies. Districts should use Object Dimension 548, Pupil Transportation Vehicles.

If the lease agreement results in ownership of the school bus (installment purchase) at the end of the lease, the lease payment would not be considered authorized and must be recorded in Finance Dimension 733, Unauthorized, and Object Dimension 535, Capital Leases.

If you have any questions about leasing school buses, contact Kelly Wosika at the Minnesota Department of Education's Pupil Transportation Office at 651-582-8855 or kelly.wosika@state.mn.us.