



## Leasing School Buses

Districts may lease vehicles for student transportation. There are two types of leases a district may enter into. A district may enter into either a capital (installment) lease type purchase or an operating lease agreement.

With a capital installment lease type purchase the district acquires the title of ownership at the time of the initial agreement. These capital lease agreements have a terminal date and will result in the acquisition of the vehicle. Coding for the installments should be reported in UFARS under Finance Code 302 or 000 or 733 and Object Code 535, Capital Leases.

The vehicle should be added to the bus inventory at the time of the initial agreement by submitting a transaction form to MDE. If the vehicle is used primarily for transporting special education students the vehicle can be added to Special Education Bus Inventory to receive depreciation aid. The net cost to be used on the form should be the total amount of all installments.

With an operating lease agreement the district does not hold the title of ownership. Lease payments should be coded in UFARS under Finance Code 720 for regular transportation or 723 for special education students with Object Code 370, Operation Leases or Rentals.

There may be a buy out option at the end of the lease and the district may choose to purchase the vehicle. In this case the buy out amount would be coded to Fin Code 302 or 000 or 733 with Object Code 548 Pupil Transportation Vehicles.

Once the district has the title of ownership after the buy out, the district may put the vehicle on the bus inventory by submitting a transaction form to MDE. If the vehicle is used primarily for transporting special education students the vehicle can be added to Special Education Bus Inventory to receive depreciation aid. The net cost to be used on the form should be the buy out amount.

Additional information on leasing school buses and the bus transaction forms to put the vehicle on the inventory are available on the MDE Website under Accountability Programs > Program Finance > Transportation.

If you have any questions please contact Kelly Wosika at [kelly.wosika@state.mn.us](mailto:kelly.wosika@state.mn.us) or 651-582-8855.