LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 82nd LEGISLATURE 1st CALLED SESSION - 2011

June 3, 2011

TO: Honorable Florence Shapiro, Chair, Senate Committee on Education

FROM: John S O'Brien, Director, Legislative Budget Board

IN RE: **SB31** by Shapiro (Relating to the guarantee of open-enrollment charter school bonds by the permanent school fund.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for SB31, As Introduced: an impact of $0 through the biennium ending August 31, 2013.

The bill would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the bill.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2012	$0
2013	$0
2014	$0
2015	$0
2016	$0

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue Gain/(Loss) from *General Revenue Fund* 1	Probable Savings/(Cost) from *General Revenue Fund* 1	Change in Number of State Employees from FY 2011
2012	$332,727	($332,727)	2.0
2013	$216,727	($216,727)	2.0
2014	$216,727	($216,727)	2.0
2015	$216,727	($216,727)	2.0
2016	$216,727	($216,727)	2.0

Fiscal Analysis

The bill would create a Permanent School Fund (PSF) bond guarantee for qualified charter schools. The commissioner of education would administer the program and issue guarantees for qualified charter school bonds. The bill would limit the total amount of charter school bonds to be guaranteed to the portion of total available capacity in the PSF school bond guarantee program that is equal to the proportion of charter school enrollment to total enrollment. The bill would create a special fund in the state treasury outside the general revenue fund to be known as the charter district bond guarantee reserve fund. The bill would require each charter school that has a bond guaranteed to remit an annually amortized amount equal in total to 10 percent of the savings realized due to the bond guarantee. These amounts would be deposited in the charter district bond guarantee reserve fund and would serve as the first source of payment of any defaults of charter bonds carrying PSF guarantees.

Methodology

The Texas Education Agency (TEA) indicates that there are currently 214 charter holders operating 649 open-enrollment charter school campuses in the state. Students enrolled in these schools make up approximately 2.7 percent of the total public school population. Accordingly, the amount of charter bonds for which guarantee could be made would be limited to approximately 2.7 percent of available capacity for the overall PSF bond guarantee program.

The TEA states that costs would be incurred for additional administrative functions associated with designating of financially qualified charter districts, determinations of bond guarantee capacity, charter bond issuance tracking, analysis of charter district bond guarantee applications, and technical assistance to charter districts seeking guarantee. The estimated costs for two additional FTE positions and associated operating expenses for these functions are $178,727 in FY12 and $162,727 each year thereafter. The Agency estimates revenues generated by application fees will be sufficient to offset costs.

Technology

Significant systems development costs would also be incurred to implement the program. Initial system development costs of $154,000 would be estimated in FY12, with ongoing maintenance and licensing costs of approximately $54,000 annually in FY13 and beyond.

Local Government Impact

No significant fiscal implication to units of local government is anticipated. However, charter holders seeking to obtain bond guarantees would incur some administrative costs associated with establishing financial qualifications and applying for the bond guarantee. Qualified charters receiving bond guarantees would also incur costs associated with required remittances to the charter district bond guarantee reserve fund. It is assumed that any costs incurred would be more than offset by savings resulting from the bond guarantee.

Source Agencies:

LBB Staff: JOB, LXH, JGM, JSp