

**LEGISLATIVE BUDGET BOARD**  
**Austin, Texas**

**FISCAL NOTE, 84TH LEGISLATIVE REGULAR SESSION**

**April 30, 2015**

**TO:** Honorable Jimmie Don Aycock, Chair, House Committee on Public Education

**FROM:** Ursula Parks, Director, Legislative Budget Board

**IN RE:** **HB3347** by Aycock (relating to revocation of a charter for an open-enrollment charter school and procedures for the disposition of property owned by a charter school after revocation or surrender of a charter.), **Committee Report 1st House, Substituted**

**Estimated Two-year Net Impact to General Revenue Related Funds** for HB3347, Committee Report 1st House, Substituted: an impact of \$0 through the biennium ending August 31, 2017.

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:**

<b>Fiscal Year</b>	<b>Probable Net Positive/(Negative) Impact to General Revenue Related Funds</b>
2016	\$0
2017	\$0
2018	\$0
2019	\$0
2020	\$0

**All Funds, Five-Year Impact:**

<b>Fiscal Year</b>	<b>Probable Savings/(Cost) from Revoked Charter School Liquidation Fund</b>	<b>Probable Revenue Gain/(Loss) from Revoked Charter School Liquidation Fund</b>
2016	(\$483,600)	\$483,600
2017	(\$483,600)	\$483,600
2018	(\$337,700)	\$337,700
2019	(\$337,700)	\$337,700
2020	(\$222,400)	\$222,400

**Fiscal Analysis**

This bill would amend the Education Code regarding the revocation of a charter for an open-enrollment charter school, and the disposition of property of such a revoked charter school.

The bill would require that, if the Commissioner of Education (Commissioner) decides to revoke a charter, the State Office of Administrative Hearings (SOAH) conduct a revocation review hearing and issue a final decision within a stated time period. The bill would give the Commissioner authority to appoint a board of managers, as specified in the bill, and/or an agent to close the operations of a revoked charter school and manage the disposition of the state's personal and real property in the possession of the charter holder.

The bill outlines procedures such as the appointment of a receiver for a revoked charter school, and the powers and duties of such a receiver.

The bill would create the Revoked Charter School Liquidation Account (RCSLA) in the Texas Treasury Safekeeping Trust Company. The Commissioner would remit to the Comptroller funds for deposit in the RCSLA that were received from the disposition of public property of a charter school that ceased to operate and was liquidated under the new subchapter. Money in the RCSLA could be spent by the Commissioner only to pay the expenses incurred during a receivership of any former charter school, except that the Commissioner would annually review the RCSLA and transfer any funds exceeding \$2 million to the Comptroller for deposit in the Charter District Bond Guarantee Reserve Fund 0053.

This bill would take effect September 1, 2015.

### **Methodology**

Based on information from the Texas Education Agency, this analysis assumed that a receivership that required the appointment of a Board of Managers (BOM) and superintendent would occur in 12 charter school revocations during FY 2016 and FY 2017, decreasing to 9 charter school revocations in FY 2018 and FY 2019 and 8 in FY 2020.

It is anticipated that any costs incurred will be paid from the newly created RCSLA. With the creation of the RCSLA, funds may not be available to meet expenses until a fund balance has been established. However, the bill gives the Commissioner authority to use available agency funds if funds from the RCSLA are not available.

Payments to individuals who serve as members of BOMs and as superintendents would be based on current rates for conservators appointed by the TEA at \$85 per hour. Individuals serving as members of the BOM are estimated to spend 40 hours at the cost of \$85 per hour, or \$3,400 per member for a total of \$10,200 per former charter school. Assuming that 12 former charter schools are assigned BOMs, the total cost for BOMs in FY 2016 and FY 2017 is \$122,400. Individuals serving as superintendents of a former charter schools where a BOM has been installed would serve approximately 60 hours for each former charter school at an estimated cost of \$61,200 per year in FY 2016 and FY 2017. Costs would decrease to \$40,800 by FY 2020 as the number of schools being revoked decreased.

Costs for activities related to the disposition of property are estimated at \$300,000 for FY 2016 and FY 2017. The costs would drop as the number of cases falls. Costs for FY 2018 and FY 2019 are estimated at \$200,000. Estimated costs for FY 2020 are \$100,000. Any costs incurred by the receiver or special deputy receivers related to the disposition of assets would be paid from the charter school liquidation fund.

### **Local Government Impact**

No significant fiscal implication to units of local government is anticipated.

**Source Agencies:** 302 Office of the Attorney General, 303 Facilities Commission, 304 Comptroller of Public Accounts, 305 General Land Office and Veterans' Land Board, 360 State Office of Administrative Hearings, 701 Central Education Agency

**LBB Staff:** UP, TBo, ER, KVe, JBi, AM, SL, KPe