

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 84TH LEGISLATIVE REGULAR SESSION

April 13, 2015

TO: Honorable Larry Taylor, Chair, Senate Committee on Education

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: SB1898 by Taylor, Larry (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.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for SB1898, As Introduced: 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:

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

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from Charter School Liquidation Fund	Probable Revenue Gain/(Loss) from Charter School Liquidation Fund
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, 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 would outline 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 Charter School Liquidation Account (CSLA) in the Texas Treasury Safekeeping Trust Company. The Commissioner would remit to the Comptroller funds for deposit in the CSLA 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 CSLA 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 CSLA 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 CSLA. With the creation of the CSLA, 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 CSLA 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, JBi, AM, SL, KPe, KVe, TBo, ER