

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 85TH LEGISLATIVE REGULAR SESSION

April 3, 2017

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

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: SB1658 by Taylor, Larry (Relating to the ownership, sale, lease, and disposition of property and management of assets of an open-enrollment charter school.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for SB1658, As Introduced: a negative impact of (\$445,778) through the biennium ending August 31, 2019.

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
2018	(\$230,889)
2019	(\$214,889)
2020	(\$214,889)
2021	(\$214,889)
2022	(\$214,889)

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from General Revenue Fund	Change in Number of State Employees from FY 2017
	1	
2018	(\$230,889)	2.0
2019	(\$214,889)	2.0
2020	(\$214,889)	2.0
2021	(\$214,889)	2.0
2022	(\$214,889)	2.0

Fiscal Analysis

This bill's provisions would establish a framework to dispose of property held by a charter school that has ceased to operate. This includes allowing a charter that has purchased real property with local funds to retain a proportional ownership share, procedures for the state to sell or transfer real

property, and the ability for a former charter to retain the property by buying out the state interest.

The bill's provisions restrict the use of charter funds from being pledged or used to secure loans or bonds for another organization, including a non-charter operation or out-of-state operation affiliated with the charter holder. The bill also allows an audit of a charter school to examine real property transactions between the charter holder and an affiliated company and allows the commissioner to take action to protect the school's interest.

The bill's provisions direct the Commissioner to transfer excess funds in the charter liquidation fund to a high-quality education grant or to supplement the bond guarantee reserve fund.

The bill would take effect September 1, 2017, or immediately if passed with the necessary voting margins.

Methodology

TEA estimates one Auditor V will be needed to audit the records of charter schools, charter holders, or management companies and audit transactions related to property acquisitions and dispositions, leases, and review annual financial reports upon closure of a charter school. TEA indicates that there are approximately 170 charter schools with over 800 campuses; and anticipates that charter holders would be actively purchasing or leasing property, or closing operations at a level equal to approximately 10 percent of the current number of campuses, or approximately 80 transactions per year.

Additionally, TEA estimates one Program Specialist VI will be needed to adopt rules and track property acquisition, disposal, and annual changes. TEA will collect annual reports related to the property transactions, including the compensation of each governing board member, administrator, affiliated company, and anybody related by 3rd degree of consanguinity to these people.

The estimated cost of both FTEs would be \$230,889 in fiscal year 2018, and \$214,889 in subsequent years including salary, benefits, and other operating expenses.

Local Government Impact

No significant local government impact is anticipated.

Source Agencies: 303 Facilities Commission, 305 General Land Office and Veterans' Land Board, 701 Texas Education Agency

LBB Staff: UP, THo, AM, AH, KJH, SL