

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 85TH LEGISLATIVE REGULAR SESSION

April 14, 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.), **Committee Report 1st House, Substituted**

Estimated Two-year Net Impact to General Revenue Related Funds for SB1658, Committee Report 1st House, Substituted: a negative impact of (\$445,778) through the biennium ending August 31, 2019. The bill does not take effect unless the 85th Legislature makes a specific appropriation for the bill in the 2018-19 General Appropriations Act; this estimate assumes that will take place and the bill therefore takes effect.

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 1	Change in Number of State Employees from FY 2017
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 conducted by the charter holder or a related party. The bill also allows an audit of a charter school to examine real property transactions between the charter holder and a related party and allows the commissioner to take action to protect the school's interest.

The bill's provisions direct the Commissioner of Education 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's provisions take effect only if a specific appropriation for the implementation of the Act is provided in a general appropriations act of the 85th Legislature. The bill would take effect September 1, 2017, or immediately if passed with the necessary voting margins.

Methodology

This analysis estimates the cost of the bill assuming that the 85th Legislature makes a specific appropriation for the bill and that the bill takes effect. The Texas Education Agency (TEA) estimates one Auditor V would 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 would be needed to adopt rules and track property acquisition, disposal, and annual changes. TEA would collect annual reports related to the property transactions, including the compensation of each governing board member, administrator, affiliated company, and anybody related by third 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: 701 Texas Education Agency, 303 Facilities Commission, 305 General Land Office and Veterans' Land Board

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