

LEGISLATIVE BUDGET BOARD

Austin, Texas

FISCAL NOTE, 87TH LEGISLATIVE REGULAR SESSION

April 6, 2021

TO: Honorable Morgan Meyer, Chair, House Committee on Ways & Means

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: HB3610 by Gervin-Hawkins (Relating to the applicability of certain laws to open-enrollment charter schools.), **As Introduced**

The provisions of the bill that would categorize a charter school as a political subdivision for the purposes of Section 11.11 of the Tax Code would exempt property owned by charter schools from the property tax. As a result, taxable property values could be reduced and the related costs to the Foundation School Fund could be increased through the operation of the school finance formulas.

The bill would amend Chapter 12 of the Education Code, regarding charter schools, to expand the definition of an open-enrollment charter school to be a political subdivision for purposes of certain rights under Section 16.061 of the Civil Practice and Remedies Code and a political subdivision for tax exemption status as public property under section 11.11 of the Tax Code. The bill would provide that property purchased or leased with funds received by a charter holder is exempt from paying property taxes as provided by Section 11.11 of the Tax Code.

The bill's expansion of a charter school to be considered a political subdivision under Section 11.11 of the Tax Code and property owned by charter schools to be exempt from property taxation as provided for public property under Section 11.11 of the Tax Code could create a cost to units of local government and the state through the operation of the school funding formulas. Under current law, property owned by a charter school qualifies for a tax exemption. The value of property owned by eligible charter schools that would be exempt under the bill and that is not already exempt is unknown. Consequently, the cost of this provision cannot be estimated.

The bill's proposed treatment of property leased by charter schools under Section 11.11 of the Tax Code could create a cost to units of local government and the state through the operation of school funding formulas if Section 11.11 of the Tax Code provided a property tax exemption for leased property. Section 11.11 of the Tax Code only provides a property tax exemption for certain public property that is owned by the state or political subdivisions of the state. Since Section 11.11 of the Tax Code does not include a provision for property leased by charter schools, this provision of the bill would not have an effect or create a cost to taxing units.

Note: Expanding a property tax exemption to property leased by charter schools would likely require authority in the Texas Constitution to take effect.

Local Government Impact

The provisions of the bill that would categorize a charter school as a political subdivision for the purposes of Section 11.11 of the Tax Code would exempt property owned by charter schools from the property tax. As a result, taxable property values and the related ad valorem tax revenue for units of local government could be reduced.

Source Agencies: 304 Comptroller of Public Accounts

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