

BILL ANALYSIS

Senate Research Center
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C.S.S.B. 1750
By: Paxton
Education K-16
4/3/2025
Committee Report (Substituted)

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

Public charter schools' facilities funding is a finite amount of \$60 million annually, which does not grow with enrollment. This cap was put in place in 2017 when the legislature began providing charter schools facilities funding for the first time (H.B. 21, 85R), and both inflation and the number of public charter school students have increased since then. The demand for charter schools has increased from about 273,000 students to over 420,000 students statewide since 2017, and thousands of families are on charter school waitlists across Texas. Moreover, while pandemic-era inflation impacted the cost of all aspects of life, the costs associated with construction have been hit particularly hard. Due to these two factors, public charter schools are experiencing a decline in facilities funding per average daily attendance (ADA) as both inflation and enrollment have increased. Currently, the gap is an average of \$1,621 in per pupil funding between independent school district (ISD) students and their public charter school counterparts.

Most ISD facilities funding comes from local property taxes, which public charter schools cannot levy.

Public charter schools fulfill an important role in the educational options landscape by providing additional public school options beyond traditional ISD schools. The demand for charter schools continues to grow rapidly in Texas, but without removing the arbitrary cap on public charter schools facilities funding, charter schools cannot expand capacity to meet demand without diverting resources from other priorities, like teacher salaries.

Analysis of Bill:

Amends Section 12.106(d), Education Code, to replace the \$60 million cap on statewide charter schools facilities funding with an annual allotment equal to $0.15 \times \text{average daily attendance (ADA)} \times \text{basic allotment}$.

Creates new Section 12.106 (e-2), Education Code, to prescribe that charters are only eligible to receive facilities funding if the charter's governing body annually certifies in writing to the Texas Education Agency that no administrator, officer, or employee of the school and no member of the governing body of the school or its charter holder derives any personal financial benefit from a real estate transaction with the school.

Amends Section 12.106(f), Education Code, to clarify the current limitations of facilities funding expenditures to further specify that in addition to the current list of authorized uses (leasing an instructional facility, paying property taxes imposed on an instructional facility, and paying debt service on bonds issued to finance an instructional facility), charters may use facilities funding for:

any other purpose related to the purchase, lease, sale, acquisition, or maintenance of an instructional facility;

to purchase or pay debt service on bonds issued to finance the purchase of school buses;

to purchase or pay debt service on bonds issued to finance the acquisition or update of technology equipment used to support instruction;

to pay debt service on bonds issued to improve school safety and security in accordance with the requirements passed last session; or

to pay debt service on bonds issued to finance the construction, acquisition, or equipment of performing arts facilities or athletic facilities (but cannot be used for a stadium with a seating capacity of more than 1,000 spectators).

Effective September 1, 2025

The committee substitute will make the bill a Texas Legislative Council draft.

C.S.S.B. 1750 amends current law relating to instructional facilities funding for certain open-enrollment charter schools.

RULEMAKING AUTHORITY

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Section 12.106, Education Code, by amending Subsections (d) and (f) and adding Subsection (e-1), as follows:

(d) Provides that, subject to Subsections (e) (relating to providing that a charter holder is entitled to receive funding under Subsection (d) only if the most recent overall performance rating assigned to the open-enrollment charter school reflects at least acceptable performance) and (e-1), in addition to other amounts provided by Section 12.106 (State Funding), a charter holder is entitled to receive, for the open-enrollment charter school, an annual allotment per student in average daily attendance equal to the lesser of the state average interest and sinking fund tax rate imposed by school districts for the current year multiplied by the guaranteed level of state and local funds per student per cent of tax effort under Section 46.032(a) (relating to providing that each school district is guaranteed a specified amount per student in state and local funds for each cent of tax effort to pay the principal of and interest on eligible bonds) or the maximum amount of the basic allotment provided under Section 48.051 (Basic Allotment) for the applicable school year multiplied by 0.06.

Deletes existing text providing that, subject to Subsection (e), in addition to other amounts provided by this section, a charter holder is entitled to receive, for the open-enrollment charter school, funding per student in average daily attendance in an amount equal to the guaranteed level of state and local funds per student per cent of tax effort under Section 46.032(a) multiplied by the lesser of the state average interest and sinking fund tax rate imposed by school districts for the current year or a rate that would result in a total amount to which charter schools are entitled under this subsection for the current year equal to \$60 million.

(e-1) Provides that a charter holder is entitled to receive funding under Subsection (d) for an open-enrollment charter school only if the governing body of the school annually certifies in writing to the agency that no administrator, officer, or employee of the school and no member of the governing body of the school or its charter holder derives any personal financial benefit from a real estate transaction with the school.

(f) Provides that funds received by a charter holder under Subsection (d) are authorized to only be used:

(1)-(2) makes no changes to these subdivisions;

(3)-(4) makes nonsubstantive changes to these subdivisions;

- (5) to purchase or pay debt service on bonds issued to finance the purchase of school buses;
- (6) to purchase or pay debt service on bonds issued to finance the acquisition or update of technology equipment used to support instruction;
- (7) to pay debt service on bonds issued to improve school safety and security in accordance with the requirements of Section 37.351 (Facilities Standards Compliance); or
- (8) to pay debt service on bonds issued to finance the construction, acquisition, or equipment of performing arts facilities or athletic facilities, other than a stadium with seating capacity for more than 1,000 spectators.

SECTION 2. Effective date: September 1, 2025.