

SUBJECT: Exempting from taxation real property leased to certain charter schools

COMMITTEE: Ways & Means — favorable, without amendment

VOTE: 7 ayes — D. Bonnen, Bohac, Button, Darby, Murphy, Parker, Springer

0 nays

4 absent — Y. Davis, Martinez Fischer, C. Turner, Wray

SENATE VOTE: On final passage, April 29 — 30 - 1 (Rodriguez)

WITNESSES: (*On House companion, HB 1276*)

For — David Dunn, Texas Charter Schools Association; Amanda List, Responsive Education Solutions; Kitty Mappus, NYOS Charter School; (*Registered, but did not testify*: Courtney Boswell, Texas Institute for Education Reform; Steven Garza, Texas Association of REALTORS; Carrie Gilder, Bay Area Charter Schools Inc.; Eric Glenn, Texas Charter Schools Association; Rebecca Good, Legacy Preparatory Charter Academy; Julie Linn, Texans for Education Reform; Matt Long; Cameron Petty, Texas Institute for Education Reform; Angela Smith, Fredericksburg Tea Party)

Against — (*Registered, but did not testify*: Amy Beneski, Texas Association of School Administrators; Deece Eckstein, Travis County Commissioners Court; Dominic Giarratani, Texas Association of School Boards; Colby Nichols, Texas Association of Community Schools, Texas Rural Education Association)

BACKGROUND: Education Code, ch. 12 provides for rules for certification as an “open-enrollment charter school” by the State Board of Education.

Tax Code, sec. 11.21 exempts certain property owned by schools from property taxes.

DIGEST: SB 545, if passed in conjunction with SJR 30, would exempt from the

property tax real property leased to an “open-enrollment charter school” if:

- it was used exclusively by the school for educational functions;
- it was reasonably necessary for the operation of the school;
- the owner reduced the rent by the cost of the tax from which the real property was exempted; and
- the owner provided verification of this to the school.

This bill would take effect January 1, 2016, but only if SJR 30 is approved at an election. SB 545 would apply only to a tax year beginning on or after its effective date.

**SUPPORTERS
SAY:**

SB 545, in conjunction with SJR 30, would help to level the playing field for charter schools. Current law exempts school property from taxation if the property is owned by the school itself. Exempting certain schools from property taxes but not others creates an unfair advantage.

Because charter schools are at a distinct disadvantage, any transfer of wealth that resulted from SB 545 would be justified. Unlike public school districts, charter schools cannot levy taxes and are not eligible for programs that provide state funding used to offset facilities costs. Any money saved by the charter school could be put directly back into educational budget items, like teacher salaries, curriculum expansion, and improved technology.

**OPPONENTS
SAY:**

SB 545, in conjunction with SJR 30, would result in a transfer of wealth from public schools to charter schools. Because property taxes represent a significant source of revenue for public school districts, this bill would reduce costs of charter schools at the expense of revenue for school districts.

NOTES:

The Legislative Budget Board indicates that this bill, if passed in conjunction with SJR 30, also on today’s calendar, would have a negative impact of \$1.08 million through the 2016-17 biennium and \$11.4 million through the 2018-19 biennium.

The House companion, HB 1276 by Murphy, was reported favorably from the House Committee on Ways and Means on May 1 and sent to the Calendars Committee on May 8.