

BILL ANALYSIS

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S.B. 1480
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Education
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As Filed

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

S.B. 1, 82nd Legislature, First Called Session, established in 2011 the framework for charter schools to participate in the guaranteed bond program of the permanent school fund (PSF). Under that framework, charter schools may access the guaranteed bond program's available capacity equivalent to the number of charter school students as a percentage of the total public school population. In practical terms, this statutory language means that charter schools may use roughly 4.6 percent of the available capacity of the guaranteed bond program as they enroll 4.6 percent of the students in Texas public schools (as of February 2016). In dollar terms, there is \$93.9 billion in guarantee capacity in the PSF for school district and charter school bonds (as of November 2016). Of this amount, \$70.7 billion has been used for bond guarantees, leaving about \$23.2 billion in available capacity. Charter schools can access only 4.6 percent of this amount, however, or roughly \$1.06 billion. They have used all of this capacity and would benefit from greater access to the guaranteed bond program.

Charter schools that participate in the guaranteed bond program have to meet rigorous financial guidelines and pass thorough review by the commissioner of education (commissioner) and the Texas attorney general (attorney general). Charter school bonds must be categorized as "investment grade" by independent credit rating agencies before being considered for approval by the commissioner. Such agencies conduct a thorough review of the academic, financial, and management performance of the charter school. If credit rating criteria are met, charter schools must demonstrate a track record of proven academic and management performance to the commissioner and the attorney general. Taken together, the market-based and state performance guidelines to participate in the guaranteed bond program impose stringent eligibility requirements on charter schools; only 14 out of 185 charters have met such standards. Furthermore, charter schools that participate in the guaranteed bond program are required to pay 10 percent of their interest savings into a reserve fund as an additional financial safeguard.

Charter schools face a waiting list of over 140,000 students. To help meet this demand, S.B. 1480 gives qualified charter schools access to the total capacity (instead of the available capacity) of the guaranteed bond program equivalent to the number of charter school students as a percentage of the total public school population. Using the numbers above, if the total capacity of the PSF for guarantee of school district and charter school bonds is \$93.9 billion, then charter schools would be eligible to access 4.6 percent of this amount, or roughly \$4.3 billion. Greater access to the guaranteed bond programs does not cost the state additional revenue and results in interest savings that are put back into the classroom. Since the first charter school bonds were issued roughly three years ago, interest savings have totaled \$20.5 million, with projected annual savings of \$10.5 million for the next 25 years.

As proposed, S.B. 1480 amends current law relating to the guarantee of charter district bonds by the permanent school fund.

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 Sections 45.0532(a), (a-1), and (b), Education Code, as follows:

(a) Prohibits the commissioner of education (commissioner), in addition to the general limitation under Section 45.053 (Limitation; Value Estimates), from approving charter district bonds for guarantee under this subchapter in a total amount that exceeds the charter capacity of the guaranteed bond program (GBP), rather than the percentage of the total available capacity of GBP that is equal to the percentage of the number of students enrolled in open-enrollment charter schools in this state compared to the total number of students enrolled in all public schools in this state, as determined by the commissioner.

(a-1) Prohibits the commissioner from approving charter district refunding or refinanced bonds for guarantee under this subchapter in a total amount that exceeds one-half of the charter capacity, rather than exceeds one-half of the total amount available for the guarantee of charter district bonds under Subsection (a).

(b) Provides that for purposes of this section, the charter capacity of GBP is the percentage of the total capacity of the GBP established by the State Board of Education (SBOE) under Sections 45.053(d) (relating to authorizing SBOE to increase the amount of cost value of the permanent school fund not to exceed a certain amount) and 45.0531 (Additional Limitation: Reservation of Percentage of Permanent School Fund Value) that is equal to the percentage of the number of students enrolled in open-enrollment charter schools in this state compared to the total number of students enrolled in all public schools in this state, as determined by the commissioner, rather than providing that for purposes of Subsection (a), the total available capacity of the GBP is the limit established by the board under Sections 45.053(d) and 45.0531 minus the total amount of outstanding guaranteed bonds.

SECTION 2. Effective date: upon passage or September 1, 2017.