

BILL ANALYSIS

S.B. 1480
By: Hughes
Public Education
Committee Report (Unamended)

BACKGROUND AND PURPOSE

Interest parties contend that too few charter schools have access to the permanent school fund bond guarantee program, which the parties note can enhance a public school's credit rating and lower interest rates on bonds issued. S.B. 1480 seeks to increase charter school access to the program.

CRIMINAL JUSTICE IMPACT

It is the committee's opinion that this bill does not expressly create a criminal offense, increase the punishment for an existing criminal offense or category of offenses, or change the eligibility of a person for community supervision, parole, or mandatory supervision.

RULEMAKING AUTHORITY

It is the committee's opinion that this bill does not expressly grant any additional rulemaking authority to a state officer, department, agency, or institution.

ANALYSIS

S.B. 1480 amends the Education Code to change the additional limitation on the guarantee of charter district bonds by the permanent school fund from a proportional amount of the guaranteed bond program's total available capacity, which is the program limit set by the State Board of Education (SBOE) minus the total amount of outstanding guaranteed bonds, to an amount based on the guaranteed bond program's charter capacity, which is the percentage of the program's total capacity established by the SBOE that is equal to the percentage of the number of students enrolled in open-enrollment charter schools in Texas compared to the total number of students enrolled in all public schools in Texas, as determined by the commissioner of education.

S.B. 1480 applies the charter capacity provided by the bill's provisions beginning with the state fiscal year that begins September 1, 2021. The bill requires the SBOE to establish a charter capacity for the preceding state fiscal years by increasing the total limitation on the amount of charter district bonds that could be guaranteed under the law in effect on January 1, 2017, by specified scheduled amounts based on a percentage difference between the charter capacity provided by the bill and the charter capacity in effect on that date. The bill authorizes the SBOE for any year to increase the charter capacity by less than the specified amount or decline to increase the charter capacity by any amount if the SBOE determines that increasing the charter capacity by the specified amount would likely result in a negative impact on the bond ratings provided by one or more nationally recognized investment rating firms for school district or charter district bonds for which a guarantee is requested or if one or more charter districts default on payment of maturing or matured principal or interest on a guaranteed bond, resulting in a negative impact on the bond ratings provided by one or more nationally recognized investment rating firms for school district or charter district bonds for which a guarantee is requested. The bill authorizes the SBOE, if the SBOE makes any such determination and modifies the schedule provided by the bill for that year, to also make appropriate adjustments to the schedule for

subsequent years to reflect the modification, provided that the charter capacity for any year may not exceed the limit provided for that year by the schedule. These provisions expire September 1, 2022.

S.B. 1480 makes confidential and exempt from disclosure under state public information law information obtained from a nationally recognized investment rating firm relating to certain limitations on the guarantee of bonds by the permanent school fund that concerns a hypothetical or actual scenario relating to the credit rating of the permanent school fund or the bond guarantee program of the permanent school fund, and any communications from, or information generated by, the Texas Education Agency, the SBOE, the commissioner, or their employees relating to that information.

S.B. 1480 authorizes the commissioner's investigation of an application for the guarantee of bonds submitted by a charter district to include evaluation of whether the charter district bond security documents provide a security interest in real property pledged as collateral for the bond and the repayment obligation under the proposed guarantee. The bill authorizes the commissioner to decline to approve the application if the commissioner determines that sufficient security is not provided. The bill adds a temporary provision set to expire September 1, 2019, authorizing the commissioner, in determining whether to approve charter district bonds for guarantee and in addition to considering all other applicable requirements, to consider any additional reasonable factor that the commissioner determines necessary to protect the guarantee program or minimize risk to the permanent school fund, including certain specified factors.

S.B. 1480 establishes that the charter district bond guarantee reserve fund is managed by the SBOE in the same manner that the permanent school fund is managed by the SBOE. The bill authorizes the SBOE to invest money in the charter district bond guarantee reserve fund in accordance with a specified investment standard applicable to certain investments by the comptroller of public accounts and exempts the SBOE investment from any other limitation or requirement relating to authorized investments by the comptroller. The bill requires the SBOE to adjust the investment portfolio of fund money periodically to ensure that the balance of the fund is sufficient to meet the cash flow requirements of the fund.

S.B. 1480 raises from 10 percent to 20 percent the percentage of the savings to a charter district as a result of the lower interest rate on a bond due to the guarantee by the permanent school fund that the charter district is required to remit to the commissioner for deposit in the charter district bond guarantee reserve fund. The bill removes the requirement that the amount due be amortized and paid over the duration of the bond, with each payment due on the anniversary of the date the bond was issued, and instead requires the amount due to be paid on receipt by the charter district of the bond proceeds. The bill exempts a charter district from the requirement to remit that amount if at the time the charter district receives the proceeds of the bond guaranteed by the permanent school fund the balance of the fund is at least equal to three percent of the total amount of outstanding guaranteed bonds issued by charter districts. The bill removes the authorization for the commissioner to direct the comptroller to annually withhold the amount due to the fund for that year on the basis of a charter school's remittances from the state funds otherwise payable to the charter district.

EFFECTIVE DATE

September 1, 2017.