

SUBJECT: Prohibiting the use of school district resources to create or operate a hotel

COMMITTEE: Public Education — favorable, without amendment

VOTE: 6 ayes — Eissler, Guillen, Huberty, Shelton, Strama, Weber

1 nay — Allen

4 absent — Hochberg, Aycock, Dutton, T. Smith

SENATE VOTE: On final passage, March 24 — 31-0, on Local and Uncontested Calendar

WITNESSES: For — (*Registered, but did not testify*: Corbin Van Arsdale, AGC - Texas Building Branch)

Against — None

On — David Anderson, Texas Education Agency

BACKGROUND: Education Code, ch. 11, subch. D regulates the powers and duties of the board of trustees of an independent school district. Education Code, sec. 45.105(c) lists the authorized expenditures of local school funds and includes “other purposes necessary in the conduct of the public schools determined by the board of trustees.”

DIGEST: SB 764 would prohibit the board of trustees of an independent school district from imposing taxes, issuing bonds, acquiring property, or using staff, property, money, or other resources for the design, construction, renovation, or operation of a hotel. The bill also would prohibit a school board from entering into a lease, contract, or other agreement that would require a prohibited activity or use of resources.

The bill would take immediate effect if finally passed by a two-thirds record vote of the membership of each house. Otherwise, it would take effect September 1, 2011. The bill would apply only to an agreement concerning the use of school district resources for a hotel that was entered into on or after the effective date.

SUPPORTERS
SAY:

Building or operating a hotel is an inappropriate use of school district money, property, and staff time. Taxpayers fund and expect Texas public schools to educate children to become productive citizens, so school districts should not be allowed to divert their resources away from this core mission. Focusing resources on the core mission is especially critical when public school funding is so stretched. SB 764 would sharpen budgetary focus by prohibiting school boards from wasting taxpayer funds on the construction or operation of hotels.

The argument that school districts somehow should be able to reap the benefits of operating hotels as universities and colleges do compares apples to oranges. Higher education institutions much more frequently need to accommodate speakers, guest faculty, conference attendees, and family members visiting from afar, and they have access to greater financial resources to implement projects on the scale of a hotel.

It is unclear how a district-owned would contribute to a district's core mission of education beyond the participation of a subset of students in very low-level vocational training. If 14- to 18-year-olds worked at a high school-run hotel, their duties would be limited to cleaning pools, cooking simple meals, providing maid service, and other functions not comparable to a college-level hotel management course. Even if such training was deemed worthwhile, an interested school district should partner with an existing hotel, where a job-shadowing program already may exist. A school district would never need to build or operate its own hotel.

Claims that a district-owned hotel would benefit the larger community are exaggerated. In a weak economy with fewer people traveling, a hotel would be less likely to succeed, so the promise of job creation is hollow. Instead, local taxpayers would be burdened with the management of a failed hotel. Furthermore, a new hotel would divert business from existing hotels. Unless existing hotels already were consistently at capacity, construction of a new hotel would not result in new visitors, only potentially relocated visitors, and therefore it would not bring additional economic development dollars during large events.

SB 764 would not amount to state government interference in a school district's decisions because the state already appropriately possesses oversight of how school districts spend their money. The Texas Education Agency must review the purpose of district bond issues and has seriously questioned the use of bond proceeds on a hotel construction project, which

the agency views as having little relationship to a district's educational mission.

Although no school district currently is attempting to build or operate a hotel with taxpayer funds, it could begin the process at any time, so the prohibition contained in SB 764 should be implemented now.

OPPONENTS
SAY:

SB 764 would ban, statewide, any local school board from determining for its own community the potential merits and possible risks of this particular investment of district resources. Colleges and universities across the state have discovered that owning a hotel can benefit students, the academic entity, and the larger community. School districts should be free to explore and pursue these benefits as well.

A district's construction and operation of a hotel could benefit students by creating educational opportunities, including practical training in hotel management and the culinary arts, and by providing the corresponding support facilities needed. Students traditionally at risk of dropping out of high school often stay more engaged in their education when participating in programs that develop real-world skills, and such participants are more likely to graduate and find employment after graduation than their nonparticipating peers.

A hotel project could benefit the school district financially. With access to the hotel's facilities, a school district no longer would need to spend money on contracts for space to hold graduations, school-related luncheons, or other conference-room size events. More importantly, a hotel could create an ongoing revenue source, which could be especially valuable in these difficult economic times, when support for school districts is getting slashed in state budget cuts.

Finally, a school district-built hotel could benefit the larger community economically. The creation of a new hotel generates jobs, in both the construction phase and the operation phase. A district hotel could attract and accommodate guests for high school sporting and collegiate events, multiday educational conferences, and other events. Such large regional and statewide events bring visitor dollars, boosting local economic development.

Building and operating a hotel may or may not be the best choice for a particular school district, but the state should not interfere in local

decision-making regarding this innovative and potentially valuable idea, as SB 764 would do.

OTHER
OPPONENTS
SAY:

SB 764 was developed in reaction to a particular school board considering entering into a public-private partnership to build a hotel and event center, but the school board and local community already have decided against building a hotel. Moreover, the decision had nothing to do with SB 764 but rather was due to the potential private partner revealing that it expected the school district to put public funding toward completing the hotel. The school board in question never intended to use public funds for the hotel project. It considered leveraging bond funds through the partnership but only to reduce the costs of building an event center, not to build a hotel. SB 764 would prohibit all school districts from doing something that no school district actually is attempting.