

NOTE: As provided in LFC policy, this report is intended only for use by the standing finance committees of the legislature. The Legislative Finance Committee does not assume responsibility for the accuracy of the information in this report when used for other purposes.

The most recent FIR version (in HTML & Adobe PDF formats) is available on the Legislative Website. The Adobe PDF version includes all attachments, whereas the HTML version does not. Previously issued FIRs and attachments may be obtained from the LFC in Suite 101 of the State Capitol Building North.

FISCAL IMPACT REPORT

SPONSOR: SEC DATE TYPED: 3/15/03 HB _____

SHORT TITLE: Fifteen Year Charter School Renewal SB 224&696/SECS

ANALYST: Segura

APPROPRIATION

| Appropriation Contained | | Estimated Additional Impact | | Recurring or Non-Rec | Fund Affected |
|-------------------------|------|-----------------------------|------|----------------------|-------------------|
| FY03 | FY04 | FY03 | FY04 | | |
| \$15,000.0 | | | | Non-Recurring | SeveranceTax Fund |
| | | | | | |

(Parenthesis () Indicate Expenditure Decreases)

REVENUE

| Estimated Revenue | | Subsequent Years Impact | Recurring or Non-Rec | Fund Affected |
|-------------------|------|-------------------------|----------------------|---------------|
| FY03 | FY04 | | | |
| \$15,000.0 | | | Non-Recurring | New Fund |
| | | | | |

(Parenthesis () Indicate Revenue Decreases)

SOURCES OF INFORMATION

State Department of Education (SDE)

SUMMARY

Synopsis of Bill

The bill amends Section 22-8B-12 of the Charter School Act and appropriates short-term severance tax bonds proceeds to assist charter schools with the construction, purchase or leasing of facilities. It creates a new Charter Schools Leased Facilities Fund and provides for an annual distribution.

Significant Issues

According to SDE, the bill proposes the following:

1. A charter school may be renewed for successive periods of 15 years each.
2. Approvals of less than 15 years can be agreed upon between the charter school and the local school board.
3. The State Board of Education (SBE) has not taken a position on the renewal term for a charter school.
4. The State Board of Finance is authorized to issue and sell up to \$15,000.0 in short-term severance tax bonds in fiscal years 2003-2007. The term of the bonds shall not extend beyond the fiscal year in which they are issued. The bonds may be issued upon certification of need by the State Department of Education (SDE) and are limited to no more than \$3,000.0 per year. If the bonds are not certified by the SDE by the end of fiscal year 2007 the authorization expires.
5. The State Board of Finance must issue the bonds in an economical manner following provisions in the Charter School Act and must comply with the Internal Revenue Code.
6. A new fund, called the “Charter Schools Leased Facilities Fund”, is created within the state treasury and administered by SDE. Any expended or unencumbered balances remaining at the end of fiscal year 2012 shall revert to the severance tax fund.
7. The SDE will establish an application process for allocating funds to the charter schools with applications due no later than June 30 of each year. Existing schools and start-up schools may submit applications. The SDE will make allocations that equal the annual lease payment or an amount equal to \$900 for each student enrolled or projected to attend, whichever is less.
8. Allocations received from the fund can only be used for construction, purchase or lease of charter facilities.
9. Having a longer term of renewal might increase the ability of charter schools to raise capital or meet adequacy standards.
10. Many charter schools will have the opportunity to obtain better facilities to fulfill programmatic needs.
11. The Legislative Education Study Committee (LESC) charter school task force did not address these issues in its charter school recommendations.

FISCAL IMPLICATIONS

The bill proposes that the State Board of Finance may issue and sell severance tax bonds with a term that does not extend beyond the fiscal year in which they are issued in fiscal years 2003 through 2007 in compliance with the Severance Tax Bonding Act in the amount not exceeding a total of \$15,000.0 when the SDE certifies the need for the issuance of the bonds.

ADMINISTRATIVE IMPLICATIONS

The State Department of Education will administer the program.

RELATIONSHIP

Relates to HB375/a

TECHNICAL ISSUES

The SDE notes a technical error on page 2, lines 7 and 11. The language should read, “ No later

than July 1 of the year in which the charter expires”.

Also, all references in the bill relate to assisting charter schools with their lease payments. Section 3E of the proposed Charter Schools Leased Facilities Fund Distribution (page 6, lines 12-14) states that “money received by a charter school pursuant to this section may only be used for construction, purchase or lease of charter school facilities. Construction and purchase are not addressed within the body of the bill.

OTHER SUBSTANTIVE ISSUES

According to SDE, the bill may be in conflict with the anti-donation clause of the state constitution.

RS/njw