

## **BILL ANALYSIS**

Senate Research Center  
85R21581 MK-F

C.S.S.B. 1837  
By: Hughes  
Education  
4/12/2017  
Committee Report (Substituted)

### **AUTHOR'S / SPONSOR'S STATEMENT OF INTENT**

Chapter 12, Education Code, authorizes a public senior college or university to establish and operate an open-enrollment charter school under a charter issued by the Texas Education Agency. Among other criteria for issuance of the charter, Section 12.154(a)(6) expressly requires that the financial operations of the college or university charter school be supervised by the business office of the college or university.

The financial accountability of a public senior college or university is governed by Subchapter A, Chapter 51, Education Code, and by provisions governing state agencies generally: Chapter 2101, Government Code, which requires annual financial reports; Chapter 403.013, Government Code, which requires annual statements to the governor of funds, revenues, and expenditures; Chapter 2012, Government Code, which requires internal auditing; and Chapter 321, Government Code, which provides for auditing by the State Auditor.

Section 39.082, Education Code, requires the Commissioner of Education to implement a financial accountability rating system that includes school districts and open-enrollment charter schools. The system, known as FIRST (Financial Integrity Rating System of Texas), is designed to encourage financial transparency, oversight, and improvement. While FIRST includes indicators relevant to school districts and other types of open-enrollment charter schools, the accountability system does not accurately measure the financial health of charter schools operated by a public institution of higher education. For example, several FIRST indicators are based on asset and liability numbers. Charter schools of a public senior college or university typically use facilities owned by the college or university, however, and have no assets independent of the college or university of which the school is a part.

Under S.B. 1837 as filed, charter schools operated by a public senior college or university would continue to be evaluated using the indicators included in FIRST but would not be assigned a financial accountability rating, as this rating is not reflective of the financial health of such charter schools. The committee substitute preserves the FIRST rating and allows TEA to use those financial indicators that are most appropriate for these schools.

C.S.S.B. 1837 amends current law relating to financial accountability standards for charter schools operated by a public institution of higher education.

### **RULEMAKING AUTHORITY**

Rulemaking authority is expressly granted to the commissioner of education in SECTION 1 (Section 39.082, Education Code) of this bill.

### **SECTION BY SECTION ANALYSIS**

SECTION 1. Amends Section 39.082, Education Code, by adding Subsection (e-1), to require the financial performance of a charter school operated by a public institution of higher education under Subchapter D (Open-Enrollment Charter School) or E (College or University or Junior College Charter School), Chapter 12 (Charters), to be evaluated using only the indicators adopted under this section determined by the commissioner of education by rule as appropriate to accurately measure the financial performance of such charter schools.

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