

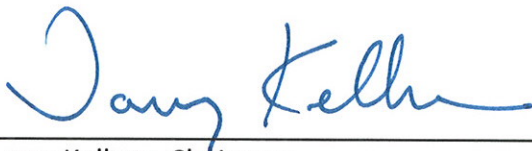
Resolution of the Board of Directors in Support of Investment Grade Charter Schools Having Access to the Permanent School Fund

The Greater Houston Partnership's Board of Directors supports legislation that would permit successful and established charter schools in the Greater Houston Region; such as YES Prep, KIPP Academy and Harmony Public Schools; access to the Permanent School Fund bond guaranty, which is available to traditional school districts. Charter schools should have access that is proportionate to the share of students in Texas they serve; currently 2 percent.

Even though charter schools are public schools, they have no access to a local tax base to pay for school buildings, and no eligibility for the Instructional Facilities Allotment and the Existing Debt Allotment - two state programs that help traditional public schools meet the cost of providing facilities. As well, charter schools currently cannot access the Permanent School Fund bond guaranty, which is available to traditional school districts.

As written Senate Bill 597 (Shapiro) and House Bill 1437 (Eissler) would extend the state's Permanent School Fund bond guarantee to financially sound charter schools to help them construct public school buildings. Once charter schools have state backing for their bonds, they can achieve AAA bond ratings and in turn save substantial money on interest rates. The legislation will cost nothing to the state, and will save public money. Any charter school under consideration must be rated as investment grade by a nationally recognized investment firm. Charter schools will have access to available capacity of the guaranteed bond programs in direct correlation with the percentage of public school students they collectively serve, currently around 2%.

Support for current legislation -- SB597 (Shapiro) and HB1437 (Eissler) -- will allow charter schools to have state backing for their bonds, allowing them to achieve AAA bond ratings. This means more public funding will stay in the classroom, instead of being diverted to higher interest rates and additional insurance costs.



Larry Kellner, Chairman



Tony Chase, Secretary



Jeff Moseley, President and CEO

BACKGROUND MEMORANDUM

DATE: April 6, 2011

TO: Greater Houston Partnership Board of Directors

FROM: Anne Taylor, Chair, Education Policy Advisory Committee

SUBJECT: Resolution of the Board of Directors in Support of Investment Grade Charter Schools Having Access to the Permanent School Fund

BACKGROUND

Even though charter schools are public schools, they have no access to a local tax base to pay for school buildings, and no eligibility for the Instructional Facilities Allotment and the Existing Debt Allotment - two state programs that help traditional public schools meet the cost of providing facilities. Also, charter schools currently cannot access the Permanent School Fund bond guaranty, which is available to traditional school districts.

As written, the Permanent School Fund (PSF) bills -- SB597 (Shapiro) and HB1437 (Eissler) -- would allow successful and established charter schools in the Greater Houston Region; such as YES Prep, KIPP Academy and Harmony Public Schools; to have access to up to 2% of the current available capacity of the Permanent School Fund. This represents the proportionate share of students in Texas who currently attend a charter school.

Charter schools will only have access to the fund if they are able to secure an investment-grade rating from one of the national investment firms. This is an exceedingly high bar for admission and will ensure that only charter schools who demonstrate strong academic results and fiscal discipline will have access to the pool.

These bills do not impact the state budget, nor will they adversely affect the current ratings that traditional districts can receive through the PSF.

If SB 597/ HB 1437 become law, charter schools will have state backing for their bonds, allowing them to achieve AAA bond ratings. This means more public funding will stay in the classroom, instead of being diverted to higher interest rates and additional insurance costs.

SB 597 and HB 1437 have received support from the Texas Charter School Association, YES Prep, KIPP Academy and Harmony Public Schools. As well, regional Houston school districts have indicated that the current Permanent School Fund will safely allow for investment grade charter school access to the fund as a guarantee source.

LEGISLATION PROPOSED

SB 597 (Shapiro) and HB 1437 (Eissler) would allow the state's Permanent School Fund to offer charters the same backing that regular school districts receive when they borrow money. The fund's imprimatur would not cost the state money. But it would let charters enter bond markets with a good credit rating, so they could raise capital at lower interest rates. Under SB 597 (and HB 1437), only charters with their own acceptable credit ratings could participate.

KNOWN OPPOSITION

Texas Association of School Boards opposes the use of Permanent School Funds for open enrollment charter schools.

The local public school districts in the Greater Houston Region are not opposed to this bill.

RESOURCES REQUIRED

This recommendation can be implemented with available Greater Houston Partnership staff and within current operating budget resources.