

**LEGISLATIVE EDUCATION STUDY COMMITTEE  
BILL ANALYSIS**

**Bill Number:** HB 552a

**52nd Legislature, 1st Session, 2015**

**Tracking Number:** .200360.1

**Short Title:** School Investment of Public Money

**Sponsor(s):** Representatives Jimmy C. Hall and Yvette Herrell

**Analyst:** Ian Kleats

**Date:** March 26, 2015

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**AS AMENDED**

**The House Ways and Means Committee amendments limit the provisions of HB 552 to state-chartered charter schools, rather than applying them to all charter schools (see “Technical Issues,” below).**

**Original Bill Summary:**

Among its provisions, HB 552 amends current law to:

- allow school board designees to invest sinking funds or unexpended bond proceeds into certain securities, while defining school board designees to include both local school districts and state-chartered charter schools; and
- allow state-chartered charter schools to place funds into interest-bearing deposits, just as local school districts can.

HB 552 also amends the *Public School Finance Act* and other sections of statute to relax a restriction on the requirement to equitably distribute deposits between all depositories within the geographical boundaries of the school district proportionate to each depository’s net worth relative to all depositories in those boundaries. This requirement would now be to an extent that is “as much as practicable.”

Because the bill does not specify an effective date, its provisions would go into effect 90 days following adjournment, which is June 19, 2015.

**Fiscal Impact:**

HB 552 carries neither an appropriation nor a revenue impact.

**Technical Issues:**

The meaning of the phrase, “as much as practicable,” which appears multiple times as new language in the bill, may not be clearly enunciated elsewhere within the bill, creating the possibility of broad interpretation by school districts, along with municipalities, counties, and certain other entities depositing public funds.

The bill seems to contain an inconsistency regarding charter schools. In Section 1 (page 2, lines 8-9), HB 552 defines the term “local governing body” to include “a charter school that is a board of finance.” Pursuant to the *Charter Schools Act*, only state-chartered charter schools must be their own boards of finance; therefore, the bill seems to intend for its provisions to apply not to all charter schools but only to state-chartered charter schools. However, Section 2 (page 12, lines 23-25, and page 13, lines 1-2) defines the term “school board designee” to include a “charter school employee who has been designated by the . . . head administrator of a charter school to handle the funds of the . . . governing board.” In this instance, the provision seems to apply to all charter schools, not just state-chartered charter schools.

**Substantive Issues:**

Provisions in the *Public School Finance Act* already allow for the temporary investment of demand deposits not immediately needed for the operation of a school district or state-chartered charter school. Those investments may take the form of securities issued by the state or the United States government or its departments and agencies, and those securities are backed by the full faith and credit of the respective governments.

Consequently, although Section 2 of the bill may duplicate an existing provision in current law, it expands the allowable securities in which a school district or state-chartered charter school may invest its bond proceeds or sinking funds; these additional securities include issuances from the United States, the state, certain counties, municipalities, or school districts. The rate of return on those securities may be higher than interest-bearing demand deposit accounts in which school districts and charter schools may currently deposit these monies.

**Background:**

The Public Education Department (PED) notes in its bill analysis that previous amendments were made to the *Public School Capital Improvements Act* and the *Public School Buildings Act* requiring school districts to include the capital improvements funding needs of state-chartered charter schools and locally chartered charter schools, residing within the school district, on the resolutions submitted to the qualified voters. Now that this funding stream exists, HB 552 would allow a state-chartered charter school to have the ability to invest these funds just as a school district does. PED highlights that these types of funds are often invested because they are non-reverting funds.

**Committee Referrals:**

HEC/HWMC/SEC

**Related Bills:**

\*HB 449 *Charter School Fiscal Reporting*

\*SB 429a *Charter School Fiscal Performance Reports*