

**BILL #** SB 1200

**TITLE:** charter schools; tribal lands

**SPONSOR:** Jackson

**STATUS:** As Introduced

**REQUESTED BY:** Senate

**PREPARED BY:** Jake Corey

**FISCAL YEAR**

**2003**

**2004**

**2005**

**EXPENDITURES**

General Fund	\$-0-	\$-0-	Potential Unknown Cost
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**FISCAL ANALYSIS**

**Description**

Beginning after June 30, 2004, the bill subjects any nonprofit charter school located on tribal land to the statutes governing the School Facilities Board (SFB), provided the ownership of all the charter school’s facilities will revert to a locally elected governing board on termination of the charter.

**Estimated Impact**

The bill would potentially increase General Fund spending by an unknown amount. A nonprofit charter school on tribal land reverting to a local governing board would qualify for monies from the SFB Building Renewal Fund (A.R.S. § 15-2031), and potentially could qualify for monies from the SFB New School Facilities Fund (A.R.S. § 15-2041). Because both of these funds are made up of sales tax revenues, any additional spending from these funds would have a General Fund impact. Since the bill does not take effect until June 30, 2004, there would be no fiscal impact in FY 2003 or FY 2004.

The SFB believes the bill would have a General Fund cost, but does not provide an estimate of the magnitude of the cost.

**Analysis**

Building Renewal

The SFB distributes monies from the Building Renewal Fund for major renovations and repairs to school buildings. Monies in the fund are allocated based on a statutory formula for each eligible school building in the state. Under the provisions of the bill, Building Renewal Fund monies would be made available to any nonprofit charter school on tribal land reverting to a local governing board. A locally elected governing board would include not only school districts, but tribal councils as well. According to the State Board for Charter Schools, there are at least 13 nonprofit charter schools located on tribal land. It is not known who owns the facilities of these schools. A local school district, the chartering organization, a local tribal council, or the Bureau of Indian Affairs potentially could own the facilities. If a school district or a tribal council owns the school facilities, the facilities would automatically be included in the building renewal calculations. Any school facilities not owned by the district or a tribal council would become eligible if an agreement was made to have the facilities revert to a locally elected governing board on termination of the charter. Since we do not know how many nonprofit charter schools located on tribal land are currently owned by a district or tribal council, nor the number of schools that would revert to a local governing board as a result of the bill, we cannot determine the additional amount of Building Renewal Fund monies that would be distributed in the future because of the bill.

(Continued)

## **Analysis** (continued)

Since statute requires SFB to instruct the State Treasurer, prior to January 1, 2004, as to the amount of sales tax revenues to transfer to the Building Renewal Fund for FY 2005, there would be no building renewal cost until FY 2006.

### New School Facilities

The SFB distributes monies from the New School Facilities Fund to purchase land and to construct new school facilities. Monies in the fund are allocated based on student enrollment projections and square footage needs. It is unclear from the language in the bill if SFB would have to pay for the land and construction costs of a nonprofit charter school on tribal land reverting to a local governing board. Legislative Council believes the language in the bill is broad enough to potentially require SFB to pay for these costs.

A.R.S. § 15-2041 requires each school district to develop and annually update a capital plan consisting of district enrollment projections over several years. If the capital plan indicates a need for land or new facilities, the district submits the plan to SFB. The SFB reviews and evaluates the district enrollment projections and either approves or revises the projections. If the approved projections indicate a need for land or new facilities, SFB is required to distribute New School Facilities Fund monies to the district for the approved purpose.

Under the provisions of the bill, a tribal council or a school district located on tribal land with no square footage deficiency could potentially submit a capital plan to SFB with enrollment projections indicating the need for land or new facilities for a charter school, provided the facilities would revert to the council or the district on termination of the charter. Since charter schools serve as an alternative to traditional public schools, they tend to target a specific subpopulation of students. The council or district could claim, therefore, that the enrollment projections indicate a large enough subpopulation of students exists to justify construction of a charter school that would attract this particular subpopulation of students. If SFB were to agree with the council or the district and approve these enrollment projections, SFB would then be required to pay for the costs of land and/or new facilities.

A.R.S. § 15-2041 also gives SFB the authority to distribute New School Facilities Fund monies for any school buildings that have outlived their useful life. A nonprofit charter school on tribal land reverting to a local governing board that had outlived its useful life might, therefore, qualify for monies regardless of any enrollment projection considerations.

If SFB approved land or new facilities for a nonprofit charter school on tribal land reverting to a local governing board in FY 2005, SFB would be required to purchase the land or distribute 5% of the total costs of the construction of the facilities in FY 2005. Statute requires SFB, upon approval of new facilities, to immediately distribute 5% of the total costs of construction for design and architecture fees.

### Deficiencies Correction

A charter school as described in the bill would not be eligible for SFB Deficiencies Correction Fund monies, as SFB is not to distribute monies from the fund for any projects approved after May 10, 2002.

### **Local Government Impact**

Beginning in FY 2006, a school district with a charter school as described in the bill would receive Building Renewal Fund monies to pay for major renovations and repairs. The district, therefore, potentially could free up monies previously dedicated to these functions for other areas of the operating budget.