

PUBLIC STATEMENT ON SB597

My name is Mark Hall and I am here to register 'on' SB 597. I am an attorney living in Austin and have been a resident of Texas for over 40 years.

I am very concerned about Senate Bill 597 - it clearly violates the social contract made with the citizens of Texas regarding the funding of charter schools.

This 'grand bargain' allowed charter schools to open in Texas with less governmental oversight than public schools in exchange for fewer dollars from taxpayers. SB597 ignores this agreement. It guarantees bonds issued by charter school operators. In case of default of such bonds, our public schools will suffer as the Permanent School Fund will be drained of potentially hundreds of millions of dollars to pay off charter school debt.

Much was learned by Americans in the wake of the crisis that devastated our nation's financial system just a few years ago. In a post-2008 world, we must protect endowments that benefit Texas children from financial fraud and abuse. SB597's inclusion of 'investment grade' status of the underlying bonds to be guaranteed is hardly sufficient - especially given the illicit payments received by bond rating agencies in recent years to ensure 'investment grade' status.

This bill needs the following four protections to prevent fraud and exploitation of the Fund by charter school operators:

1. That a financial audit by an independent, reputable auditor be required - and publicly available - from any charter school operator applying for bond guarantees;
2. That the name, address, and proof of citizenship of all board members and key administrators applying for said guarantee(s) be recorded and made available to the public;
3. That the funds in the underlying bonds are to be used solely for schools within Texas;
4. And severe penalties for fraudulent activities regarding the bond guarantees in SB597 - such as a Class 2 Felony for criminal or securities fraud violations.

With public schools closing around Texas, and massive layoffs of teachers in our state, this bill does nothing to help the financial crisis in our educational system.

I hope you will leave SB597 pending in committee to consider these proposed amendments to protect all children in Texas for generations to come.

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