

Subject Charter School Facilities

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Overview

Minnesota currently has 180 charters serving approximately 70,000 students. Charter schools are statutorily defined in Minnesota as public schools. A charter school is formed as a nonprofit organization, sponsored by a state-approved charter school authorizer, and controlled by an elected board of directors. Under current law, a charter school is eligible for building lease aid and may lease facility space from another party including an affiliated building corporation (ABC). An ABC is a special purpose nonprofit created to own a charter school facility and lease the facility to its affiliated charter school. For the 2022-23 school year, charter school students were taught in 217 facilities, 85 of which were owned by an ABC, 55 by private for-profit operators, and the remainder by other nonprofit organizations (e.g. churches, community organizations, etc.).

ABCs use different methods to fund building construction projects. The most common method involves a municipal organization (like a city housing and redevelopment authority) issuing tax exempt bonds for the facility. Other charter school facilities are funded through nonpublic financing (a loan) from banks, nonprofits and charter school management companies that may be supplemented by New Market Tax Credits, or other federal credits. The ABC oversees the financing and construction of the facility and then leases the facility to the charter school, using the lease payments from the charter school to repay the bonds or loans that finance the school's construction. A charter school pays for its facilities costs through charter school building lease aid received from the state and may use other general fund moneys for facility costs as well.

H.F. 3481 eliminates the need for an ABC and authorizes a charter school board meeting certain criteria to seek financing and own a school facility on its own without an intermediary like an ABC.

Summary

Section	Description
1	<p>Affiliated nonprofit building corporation.</p> <p>Prohibits a charter school from forming an affiliated building corporation (ABC) after May 31, 2024. Allows currently constituted ABCs to continue to operate until existing facility financing mechanisms have been satisfied. Requires existing ABCs to transfer ownership of facilities to the affiliated charter school once the financing has been satisfied or when a charter school facility is refinanced. If a charter school were to close before its ABC has finished repaying the facility bonds or loans, the ABC is required to sell the facility, repay any remaining obligations, and return any remaining funds to the state.</p>
2	<p>School owned facilities.</p> <p>Authorizes a charter school to purchase, expand, renovate, or construct a new charter school facility if the charter school has operated for at least seven years; has a positive fund balance; documents sufficient facility, financial, and market need plans; and receives a positive review and comment from the commissioner.</p> <p>Requires a charter school that owns a school facility to use its long-term facilities maintenance (LTFM) revenue for facilities maintenance purposes (under current law a charter school may use its LTFM for any purpose since the charter school doesn't currently own its facilities), maintain any reserve funding required by its lenders, and maintain exclusive use of the facility for the charter school or for community activities.</p>
3	<p>Building facility aid.</p> <p>Changes the name of the charter school building lease aid program to the charter school facilities aid program. Keeps the aid amounts at the same level; the lesser of 90 percent of the eligible lease costs, or \$1,314 per pupil unit.</p>
4	<p>Use of state money.</p> <p>Authorizes qualifying charter schools to use state money to purchase charter school facilities. Requires a charter school to seek a review and comment in the same manner as a school district before undertaking major construction projects. Continues to allow any charter school to own a school facility so long as that facility is not purchased with state funds.</p>



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