

HOUSE RESEARCH

Bill Summary

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Subject: Charter Schools Granted Authority to Issue Building Bonds

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Overview

This bill grants charter schools the authority to issue building bonds under certain circumstances.

Section

- 1 Authorizer.** Removes a second definition of “affidavit” from the definitions applying to charter school authorizers.
- 2 Formation of school.** Removes the ability of a charter school to be formed as a cooperative instead of as a nonprofit corporation.
- 3 Conflict of interest.** Clarifies that the conflict of interest provisions apply to persons contracting with an individual as well as with persons contracting with for-profit or nonprofit entities.
- 4 Charter contract.** Removes the ability of a charter school to be formed as a cooperative instead of as a nonprofit corporation.
- 5 Federal, state, and local requirements.** Requires a charter school that wishes to issue bonds to have the Department of Education review and comment on any proposed facilities projects with a cost in excess of \$1.4 million.
- 6 Leased space.** Prohibits a charter school from leasing space from any organization whose purpose is to provide a facility for the charter school. Allows a school district and charter school to mutually agree to include a charter school’s pupil count in the district’s pupil count for purposes of determining Adequate Yearly Progress (AYP).
- 7 Causes for nonrenewal or termination of charter school contract.** Removes the ability of a charter school to be formed as a cooperative instead of as a nonprofit corporation.
- 8 Related party lease costs.** Removes the ability of a charter school to be formed as a

cooperative instead of as a nonprofit corporation.

- 9 **Vacant building inventory.** Requires the Department of Administration, in conjunction with the Department of Education, to annually publish a list of vacant and unused buildings owned by school districts or the state that may be used as charter school buildings.
- 10 **Building lease aid.** Requires a charter school to include in its lease aid application information including the owner of the building, the list of the lessor's board members or principals, a copy of the lessor's annual audit, the terms of the lease, the enrollment projections of the school, the long-range strategic and financial plan of the charter school, and a copy of the state fire marshal's inspection report on the facility. Lowers the maximum amount of charter school lease aid to not more than \$1,200 per pupil (approximately two dozen charter schools are currently grandfathered in at a higher amount of aid).
- 11 **Facilities aid.** Creates a new category of facilities aid for charter schools that are borrowing money through the Charter School Facilities Commission. Sets the aid amount at the lesser of \$1,120 per pupil or 84% of the district's annual principal and interest payments.
- 12 **Charter school facilities credit enhancement account.** Creates a charter school facilities credit enhancement account in the general fund. Requires 6 percent of the annual amount of each charter school's interest and principal amounts to be credited to the fund. Requires balances in the fund attributable to individual charter schools to be transferred to the state general fund once the charter school's borrowing has been fully repaid.
- 13 **Sale or transfer of assets.** Requires the commissioner of education to approve the sale or transfer of any property financed through charter school facilities aid.
- 14 **Use of state money.** Allows a charter school that has been endorsed by the Charter School Facilities Authority to make principal and interest payments with its state funds.
- 15 **Payment of aids to charter schools.** Requires facilities owned by charter schools to be transferred to the state upon closure of the charter school.
- 16 **Charter School Facilities Commission.** Creates a charter school facilities commission consisting of 8 members; five members are appointed by the governor subject to approval by the senate, the commissioners of education, and management and budget, and president of the Minnesota School Boards Association, who serves as nonvoting member. Requires the commission to determine which charter schools are in a financial and academic position to construct or purchase a facility. Requires the commission to review applications for authority to issue bonds. Authorizes a charter school that has been enrolling students for at least five years to seek authority to buy and renovate an existing facility. Authorizes a charter school that has been in existence for at least eight years to construct a new facility. Requires the charter schools to submit relevant document concerning the proposed facilities projects.
- 17 **Endorsed charter school borrowing; definitions.** Requires the Charter School Facilities Commission to evaluate debt requests from charter schools and approve or deny the debt requests within 14 days of their receipt.

- 18 Authority to borrow money; limitations.** Authorizes the board of an endorsed charter school to borrow money from the Charter School Facilities Commission for building projects.
- 19 Endorsed charter school bonds; repayments.** Allows the board of an endorsed charter school to authorize and effect borrowing for facilities purposes. Authorizes the school to issue bonds upon passage of a board resolution by at least a vote of two-thirds of the board members specifying the amount and the purpose of the bonds.
- 20 State payment of endorsed charter school debt obligations upon potential default.** Creates a process for the state to pay for any charter school bond defaults through a credit enhancement program. Requires a charter school that believes it may be in default to notify the state at least 15 days prior to the date that payment is due. Allows the commissioner of management and budget and the commissioner of education to pay the paying agent for the bonds the amount necessary to make the bond payments from the credit enhancement account. Appropriates the amount necessary for the payments from the credit enhancement account. Requires the commissioner of education to reduce the charter school's other aid payments by the amount necessary to replenish the credit enhancement account. Requires a charter school that has defaulted on its payments to submit a plan to the commissioner to resolve the financial issues that led to nonpayment of the bond amounts. Requires the commissioner to stop making aid payments to the charter school until such time as the charter school submits an adequate financial management plan. Requires the commissioner of management and budget to stop the issuance of payment of principal and interest under this section if the payments would adversely affect the state's credit rating.
- 21 Public building.** Defines "public building" under the state building code to include a charter school building with a project cost in excess of \$100,000.
- 22 Repealer.** Repeals section 124D.10, subdivision 17a—the authority for affiliated building corporations.