

2024 Regular Session

SENATE BILL NO. 321

BY SENATOR EDMONDS

SCHOOLS. Creates the Charter School Facilities Fund within the Louisiana Department of Education. (gov sig)

1 AN ACT

2 To enact Part VI-A of Chapter 42 of Title 17 of the Louisiana Revised Statues of 1950, to
3 be comprised of R.S. 17:4001.1, relative to the creation of the Charter School
4 Facilities Fund; to provide legislative findings; to provide for funding instructions;
5 to provide relative to a manager for the fund; to provide relative to distribution; and
6 to provide for related matters.

7 Be it enacted by the Legislature of Louisiana:

8 Section 1. Part VI-A of Chapter 42 of Title 17 of the Louisiana Revised Statues of
9 1950, comprised of R.S. 17:4001.1 is hereby enacted to read as follows:

10 **PART VI-A. CHARTER SCHOOL FACILITIES FUND**

11 **§4001.1. Charter School Facilities Fund; creation; purpose; distribution**

12 **A. The legislature finds that:**

13 **(1) State government has assisted in funding capital outlay projects**
14 **through public-private partnerships thereby increasing the economic impact of**
15 **public dollars by leveraging resources and expertise of the private sector.**

16 **(2) Charter schools are public schools, as defined by R.S. 17:3973, but**
17 **are required to acquire or improve facilities independently by utilizing a**

1 percentage of per-pupil funding provided through the Minimum Foundation
2 Formula.

3 (3) The primary barrier to charter school growth in the state is lack of
4 affordable facility options. Charter schools struggle to open, expand, and
5 maintain choice seats due to unaffordable costs of construction and costs of
6 financing.

7 (4) Historically, private, non-profit foundations and community
8 organizations have tackled this problem on a small scale by raising
9 philanthropic funds and partnering with local and national charter school
10 leaders to improve facility affordability through low or no-interest
11 predevelopment loans and grants.

12 (5) To continue to expand choice seats across the state, charter schools
13 need access to new sources of capital to close affordability gaps for facility
14 projects. It is hereby the purpose of this Chapter to provide for the
15 establishment and administration of a "Fund" to assist eligible charter schools
16 in growth across the state.

17 B. The Louisiana Charter School Facilities Fund, hereafter referred to
18 as the "fund", is hereby created within the Louisiana Department of Education
19 for the purposes of providing a source for funding loans. The "fund" shall be
20 used to expand public school choice seats across Louisiana by providing funding
21 for both existing and new Type 1, Type 2, or Type 3 charter schools seeking to
22 open or expand charter school facilities across the state with initial start-up
23 funding and for funding the administrative and legal costs associated with the
24 charter school program.

25 C. All monies appropriated to the fund and any grants, other donations,
26 or other sources of financial assistance directed to the fund shall be deposited
27 into the fund. Monies in the fund shall be subject to appropriation by the
28 legislature and shall be appropriated to the State Board of Elementary and
29 Secondary Education, herein after shall be known as the "board", for allocation

1 by the board to a non-profit fund manager to administer as low interest loans
2 for the purposes provided in this Section or for other educational purposes as
3 determined by the legislature. All unexpended and unencumbered monies
4 remaining in such fund at the end of each fiscal year shall remain in the fund.
5 The monies in such fund shall be invested by the state treasurer in accordance
6 with state law, and interest earned on the investment of these monies shall be
7 credited to the fund, after compliance with the requirements of Article VII,
8 Section 9(B) of the Constitution of Louisiana, relative to the Bond Security and
9 Redemption Fund.

10 D.(1) The board shall select a non-profit fund manager, hereafter
11 referred to as the "manager," with proven experience managing a similar
12 charter school facility fund in the State of Louisiana and who has a proven
13 track record of raising private, philanthropic dollars to support charter school
14 growth. The manager will be responsible for administering the use of the monies
15 appropriated from the fund as well as raising additional private donations to
16 further the purpose of this section by creating a complementary grant-making
17 fund. The board shall create the policy and terms regarding any administrative
18 fees charged to the fund. The board shall also adopt rules in accordance with
19 the Administrative Procedure Act. The adopted rules shall specify that the
20 board approval of any Type 2 charter school proposal that includes within its
21 budget a request for loan funding which complies with the provisions of this
22 Section and details regarding how those loan funds are to be expended, shall
23 constitute the approval of that loan amount. No additional loan application
24 paperwork shall be required. No Type 1 or Type 3 charter school approved by
25 its local school board shall be required to submit more than its approved
26 charter proposal and a detailed budget identifying how any loan funds are to be
27 expended and how such request complies with the provisions of this Section.
28 The board or its fund manager may reject any such request which does not
29 comply with the terms of this Section. Such rules shall also note that any loan

1 may be used only for, but not limited to, expenses related to acquiring,
2 inspecting, investigating, financing, remediating, renovating, expanding,
3 constructing, or developing a charter school facility. Nothing herein shall
4 restrict the borrower from purchasing tangible items such as equipment,
5 technology, instructional materials, and facility acquisition, upgrade, and
6 repairs. Such equipment or other items shall become the property of the state
7 if the loan is not fully repaid by virtue of the school ceasing to operate during
8 the three years of automatic loan repayment as noted in Paragraph (3) of this
9 Subsection.

10 (2) Loan distributions from the fund shall be made only to Louisiana
11 Type 1, Type 2, and Type 3 charter schools that have undergone a thorough
12 diligence process by the manager and shall not exceed one hundred thousand
13 dollars to pay for charter school start-up and early operating expenses. No
14 money lent, as provided in this Section, may be used to pay prior debts of any
15 of the natural persons principally involved in forming the charter school, or any
16 former or current business or nonprofit venture of any such natural persons for
17 any purchase or contract not related to the charter school facility, the creation
18 of the charter school, predevelopment and development costs, or to pay
19 members of the immediate family of any such natural persons, or to make any
20 investments.

21 (3) Loans to qualifying charter schools shall be repaid per the terms in
22 the loan agreement and may be made by the authority for terms of up to three
23 years. Terms of each loan shall be short-term loans in accordance with this
24 Section and shall reflect the affordability needs of each charter school facility
25 project applying for such funds as determined through the diligence and
26 analysis of the manager. Nothing herein shall limit the ability of a loan to be
27 subordinated to a senior loan, to be paid off prior to maturity, or to charge
28 variable interest rates. All loans are loans and all interest and principal
29 payments shall be repaid and deposited back into the fund per the loan

1 **agreement. The board shall authorize the state Superintendent of Education as**
 2 **signatory on any such legal instruments relating to the disbursement of funds.**

3 **Loan repayment shall occur by having the state Department of Education**
 4 **automatically reduce the last state payment or payments for each charter school**
 5 **by one-third of the total loan amount during the initial three years of the loan**
 6 **term to be deposited into the fund.**

7 **(4) The board shall not knowingly approve the loan portion of any Type**
 8 **2 charter school's budget proposal if the background checks required by the**
 9 **board reveals that any person principal to the charter school proposal has been**
 10 **convicted of any felony related to misappropriation of funds or theft.**

11 Section 2. This Act shall become effective upon signature by the governor or, if not
 12 signed by the governor, upon expiration of the time for bills to become law without signature
 13 by the governor, as provided by Article III, Section 18 of the Constitution of Louisiana. If
 14 vetoed by the governor and subsequently approved by the legislature, this Act shall become
 15 effective on the day following such approval.

The original instrument and the following digest, which constitutes no part
 of the legislative instrument, were prepared by Mary Frances Aucoin.

DIGEST

SB 321 Engrossed

2024 Regular Session

Edmonds

Proposed law creates the Charter School Facilities Fund within the Louisiana Department of Education.

Proposed law provides that all monies appropriated to the fund, including grants, other donations, or other sources of financial assistance must be deposited into the fund which is subject to appropriation by the legislature and must be appropriated to BESE for allocation by the board to a non-profit fund manager to administer as low interest loans.

Proposed law provides that all unexpended and unencumbered monies remaining in the fund at the end of each fiscal year must remain in the fund and will be invested by the state treasurer in accordance with state law. Interest earned on the investment will be credited to the fund.

Proposed law requires the state board to select a non-profit fund manager with proven experience managing a similar charter school facility fund in the State and who has a proven track record of raising private, philanthropic dollars to support charter school growth.

Proposed law provides that the manager will be responsible for administering the use of monies appropriated from the fund and raising additional private donations.

Proposed law provides that the state board or its fund manager may reject any request which does not comply with the terms of proposed law.

Proposed law provides nothing can restrict the borrower from purchasing tangible items such as equipment, technology, instructional materials, and facility acquisition, upgrade, and repairs. These items will become the property of the state if the loan is not fully repaid by virtue of the school ceasing to operate during the three years of automatic loan repayment.

Proposed law provides that loan distributions from the fund must be made only to Louisiana Type 1, Type 2, and Type 3 charter schools that have undergone a diligence process by the manager and cannot exceed \$100,000 to pay for charter school start-up and early operating expenses.

Proposed law provides that no money lent can be used to:

- (1) Pay prior debts of any of the natural persons principally involved in forming the charter school.
- (2) Any former or current business or nonprofit venture of any natural persons.
- (3) Any purchase or contract not related to charter school facility or the creation of the charter school, predevelopment and development costs.
- (4) Members of the immediate family of any such natural persons.
- (5) Make investments.

Proposed law provides that loans to qualifying charter schools must be repaid per the terms in the loan agreement and may be made by the authority for terms up to three years. Terms of each loan must be short-term loans and must reflect the affordability needs of each charter school facility project applying for such funds as determined through the analysis of the manager.

Proposed law requires the state board to authorize the State Superintendent of Education as signatory on any such legal instruments relating to the disbursement of funds.

Effective upon signature of the governor or lapse of time for gubernatorial action.

(Adds R.S. 17:4001.1)