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SB 71 Engrossed

DIGEST
2025 Regular Session

Foil

Present law (R.S. 17:4001) establishes the Louisiana Charter School Start-Up Loan Fund, hereinafter referred to as the "fund", within the state treasury for the purposes of providing a source for funding no-interest loans to assist both existing and new Type 1, Type 2, or Type 3 charter schools with initial start-up funding and for funding the administrative and legal costs associated with the charter school program.

Proposed law renames the fund as the Louisiana Charter School Start-Up and Expansion Loan Fund and expands the authorized uses and purposes of the fund to provide a source for funding loans to assist eligible charter schools to expand existing operations and facilities or establish new operations and facilities with initial start-up funding, including funding for eligible costs associated with facility predevelopment, development, and associated financing activities.

Proposed law defines an "eligible charter school" as an existing or new Louisiana public charter school authorized by either a local school board or the State Board of Elementary and Secondary Education, hereinafter referred to as the "state board". An affiliated supporting organization as defined in Section 509(a)(3) of the Internal Revenue Code or a charter school's wholly-owned, nonprofit corporation real estate entity is eligible to apply for a loan or facilitate the use of a loan for the benefit of an eligible charter school.

Present law provides that monies in the fund are subject to appropriation by the legislature and shall be appropriated to the state board for allocation by the board as no-interest loans. Further requires all unexpended and unencumbered monies remaining in the fund at the end of each fiscal year to remain in the fund and that the monies be invested by the state treasurer in accordance with state law.

Proposed law removes the requirement that the loans be issued without interest, authorizes expenses incurred by the state board in administering the fund to be reimbursable from the fund, and otherwise retains present law.

Present law requires the state board to administer the use of the monies appropriated from the fund and adopt rules in accordance with the APA.

Proposed law retains present law.

Proposed law authorizes the state board to enter in contracts and other agreements in connection with the operation of the fund.

Present law limits the uses of loan funding to purchase tangible items such as equipment, technology, instructional materials, and facility acquisition, upgrade, and repairs. Such equipment or other items shall 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 repeals present law.

Proposed law requires that rules adopted by the state board include the following:

- (1) Charter school eligibility requirements.
- (2) Loan application and processing procedures.
- (3) Security and collateral requirement provisions.
- (4) Terms of the loan agreement, including the manner of execution, repayment schedule, redemption features, the maximum principal amount of the obligation, the maximum interest rate to be incurred or borne by the obligation, the maximum term in years for the obligation, and default provisions.
- (5) Provisions defining eligible costs to include predevelopment costs of construction prior to construction, such as property or land acquisition, feasibility and site studies, design and engineering fees, legal costs, permitting, review, and inspection fees, surveys, utility assessments, financing costs and other eligible project costs as determined by the board.
- (6) Provisions defining development costs to include the costs of construction, labor and materials, site acquisition, construction administration, financing, equipment, demolition, infrastructure, required off-site improvements, and other related costs as determined by the board.
- (7) Provisions defining eligible renovations to include material additions and renovations to existing buildings, general environmental abatement, systems, code and life-safety upgrades, and other types of renovations as determined by the board.

Present law authorizes loans for Type 1, Type 2, and Type 3 charter schools not to exceed \$100,000 per loan.

Proposed law repeals present law.

Proposed law authorizes loans for eligible charter schools for the following purposes:

- (1) To pay for charter school start-up and early operating expenses.
- (2) To purchase tangible items such as equipment, technology, and instructional materials.

- (3) Land acquisition and facility predevelopment and development costs, including construction hard and soft costs.
- (4) Facility acquisition, upgrade, repairs, and other eligible renovations.
- (5) Any other purposes approved by the state board that are related to the start-up, operation, expansion, or renovation of an eligible charter school.

Proposed law requires an eligible charter school to comply with all of the following:

- (1) The eligible charter school shall demonstrate sufficient financial resources and a detailed financial strategy for repayment of the loan.
- (2) The eligible charter school shall complete and submit the supplemental reporting schedule as mandated in proposed law as part of its annual financial reporting to the legislative auditor.

Proposed law limits an eligible charter school to one loan from the loan fund; however, once all of the principal, interest, and any other obligations due under the loan agreement are paid in full, the eligible charter school may apply for a new loan.

Proposed law prohibits loans from being made without the approval of the state board. Further requires loans to be executed through a loan agreement between the state board and the eligible charter school.

Proposed law requires loans to eligible charter schools to be repaid in accordance with the terms of the loan agreement as approved by the state board and the rules adopted by the state board. Further requires all interest and principal payments on loans to be repaid and deposited back into the fund and made available for additional loans.

Present law requires loan repayment to occur by having the state Dept. of Education automatically reduce the last state payment or payments for each charter school by 1/3 of the total loan amount during the initial three years of the loan term and instead deposit those funds in the Louisiana Charter School Start-up Loan Fund.

Proposed law instead authorizes the state Dept. of Education to reduce the last state payment or payments for each eligible charter school in accordance with the terms of the loan agreement.

Proposed law provides that if the charter agreement of any eligible charter school is revoked or the school ceases to operate during the term of the loan agreement and the loan is not fully repaid, all cash assets, equipment, property, facilities or other physical assets purchased or constructed with loan funds shall be transferred in accordance with the loan agreement and the rules adopted by the state board.

Proposed law authorizes the state to, by suit, action, mandamus, or other proceedings, protect and

enforce any rights to assets or security provided in connection with a loan agreement.

Proposed law requires the state board to submit an annual report to the legislature, on or before December 31st, relative to loan fund activities for the prior fiscal year.

Present law (R.S. 24:514) requires certain auditees to furnish to the legislative auditor sworn annual financial statements.

Proposed law retains present law and further requires the annual financial statements of eligible charter schools receiving loans to be accompanied by a supplemental schedule developed by the legislative auditor.

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

(Amends R.S. 17:4001 and R.S. 24:514(I))

Summary of Amendments Adopted by Senate

Committee Amendments Proposed by Senate Committee on Finance to the original bill

1. Clarifies the definition of "eligible charter school" to provide that an affiliated supporting organization or a charter school's wholly-owned, nonprofit corporation real estate entity is eligible to apply for a loan or facilitate the use of a loan for the benefit of an eligible charter school.
2. Requires cash assets to be transferred in accordance with the loan agreement in certain circumstances.
3. Requires the annual report to the legislature to include loan fund activities for the prior fiscal year.
4. Makes technical corrections.