

2025 Regular Session

SENATE BILL NO. 71

BY SENATORS FOIL, CLOUD, EDMONDS, MIGUEZ, SELTERS, STINE AND
WOMACK

Prefiled pursuant to Article III, Section 2(A)(4)(b)(i) of the Constitution of Louisiana.

FUNDS/FUNDING. Provides relative to the administration of the Louisiana Charter School Start-Up Loan Fund and expands the authorized uses of the fund. (gov sig)

AN ACT

To amend and reenact R.S. 17:4001 and R.S. 24:514(I), relative to the Louisiana Charter School Start-Up Loan Fund; to expand the authorized uses and purposes of the fund; to rename the fund; to provide for the administration, investment, and disposition of monies in the fund; to establish eligibility criteria; to authorize the division of administration to enter into contracts and agreements; to authorize the reimbursement of administrative expenses; to provide for requirements and limitations; to require certain loan agreements; to provide for the terms of loan agreements; to provide for the transfer of assets in certain circumstances; to provide for audit requirements; to require eligible charter schools to submit a supplemental reporting schedule; to provide for definitions; to provide an effective date; and to provide for related matters.

Be it enacted by the Legislature of Louisiana:

Section 1. R.S. 17:4001 is hereby amended and reenacted to read as follows:

§4001. Louisiana Charter School Start-Up **and Expansion** Loan Fund; creation; purpose; distribution

A.**(1)** The Louisiana Charter School Start-Up **and Expansion** Loan Fund,

hereafter referred to as the "fund", is hereby created 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 cost associated with the charter school program. 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.

(2) For purposes of this Section, "eligible charter school" shall mean an existing or new Louisiana public charter school authorized by either a local school board or the State Board of Elementary and Secondary Education pursuant to R.S. 17:3971 et seq. 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.

B. All monies appropriated to the fund and any grants, other donations, or other sources of financial assistance directed to the fund shall be deposited into the fund. Monies in the fund shall be subject to appropriation by the legislature and shall be appropriated to the ~~State Board of Elementary and Secondary Education~~ division of administration for allocation by the board as ~~no-interest~~ loans for the purposes provided in Subsection D of this Section ~~or for other educational purposes as determined by the legislature.~~ Expenses incurred by the division of administration in administering the fund shall be reimbursable from the fund. All unexpended and unencumbered monies remaining in such fund at the end of each fiscal year shall remain in the fund. The monies in such fund shall be invested by the state treasurer in accordance with state law, and interest earned on the investment of these monies shall be credited to the fund, after compliance with the requirements of Article VII, Section 9(B) of the Constitution of Louisiana, relative to the Bond Security and Redemption Fund.

1 C.(1) The state board **division of administration** shall administer the use of
2 the monies appropriated from the fund and **may enter in contracts and other**
3 **agreements in connection with the operation of the fund.** shall adopt rules in
4 accordance with the Administrative Procedure Act. The adopted rules shall specify
5 that state board approval of any Type 2 charter school proposal that includes within
6 its budget a request for loan funding which complies with the provisions of this
7 Section and details regarding how those loan funds are to be expended, shall
8 constitute the approval of that loan amount. No additional loan application
9 paperwork shall be required. No Type 1 or Type 3 charter school approved by its
10 local school board shall be required to submit more than its approved charter
11 proposal and a detailed budget identifying how any loan funds are to be expended
12 and how such request complies with the provisions of this Section. The state board
13 may reject any such request which does not comply with terms of this Section. Such
14 rules shall also note that any loan funding may be used only to purchase tangible
15 items such as equipment, technology, instructional materials, and facility acquisition,
16 upgrade, and repairs. Such equipment or other items shall become the property of the
17 state if the loan is not fully repaid by virtue of the school ceasing to operate during
18 the three years of automatic loan repayment as noted in Paragraph (3) of this
19 Subsection.

20 (2) Loans shall be made only to Type 1, Type 2, and Type 3 charter schools
21 and shall not exceed one hundred thousand dollars to pay for charter school start-up
22 and early operating expenses.

23 **(2) The division of administration, in consultation with the State Board**
24 **of Elementary and Secondary Education, shall adopt rules in accordance with**
25 **the Administrative Procedure Act to implement the provisions of this Section.**
26 **The rules shall include but not be limited to the following:**

27 **(a) Charter school eligibility requirements.**

28 **(b) Loan application and processing procedures.**

29 **(c) Security and collateral requirement provisions.**

1 (d) Terms of the loan agreement, including the manner of execution,
2 repayment schedule, redemption features, the maximum principal amount of
3 the obligation, the maximum interest rate to be incurred or borne by the
4 obligation, the maximum repayment term of the loan which shall not exceed the
5 term of the charter agreement, and default provisions.

6 (e) Provisions defining eligible costs to include predevelopment costs of
7 construction prior to construction, such as property or land acquisition,
8 feasibility and site studies, design and engineering fees, legal costs, permitting,
9 review, and inspection fees, surveys, utility assessments, financing costs and
10 other eligible project costs as determined by the division of administration.

11 (f) Provisions defining development costs to include the costs of
12 construction, labor and materials, site acquisition, construction administration,
13 financing, equipment, demolition, infrastructure, required off-site
14 improvements, and other related costs as determined by the division of
15 administration.

16 (g) Provisions defining eligible renovations to include material additions
17 and renovations to existing buildings, general environmental abatement,
18 systems, code and life-safety upgrades, and other types of renovations as
19 determined by the division of administration.

20 D.(1) No loan shall be made without the approval of the division of
21 administration. Loans shall be executed through a loan agreement between the
22 division of administration and the eligible charter school and shall be used
23 solely for the following purposes:

24 (a) To pay for charter school start-up and early operating expenses.

25 (b) To purchase tangible items such as equipment, technology, and
26 instructional materials.

27 (c) Land acquisition and facility predevelopment and development costs,
28 including construction hard and soft costs.

29 (d) Facility acquisition, upgrade, repairs, and other eligible renovations.

1 (e) Any other purposes approved by the division of administration that
2 are related to the start-up, operation, expansion, or renovation of an eligible
3 charter school.

4 (2) In order for an eligible charter school to qualify for a loan pursuant
5 to the provisions of this Section, the eligible charter school shall comply with all
6 of the following:

7 (a) The eligible charter school shall demonstrate sufficient financial
8 resources and a detailed financial strategy for repayment of the loan.

9 (b) The eligible charter school shall complete and submit the
10 supplemental reporting schedule as mandated in R.S. 24:514(I)(2) as part of its
11 annual financial reporting to the legislative auditor pursuant to R.S. 24:513 et
12 seq.

13 (3) An eligible charter school is limited to one loan from the fund, which
14 shall not exceed five million dollars per loan; however, once all of the principal,
15 interest, and any other obligations due under the loan agreement are paid in
16 full, the eligible charter school may apply for a new loan.

17 (4) No money lent as provided in this Section may be used to pay prior debts
18 of the nonprofit corporation which formed the **eligible** charter school, any of the
19 natural persons principally involved in forming the **eligible** charter school, or any
20 former or current business or nonprofit venture of any such natural persons for any
21 purchase not related to the creation of the **eligible** charter school **or predevelopment**
22 and development costs of the eligible charter school facility, or to pay to members
23 of the immediate family of any such natural persons, or to make any investments.

24 ~~(3)(5)(a)~~ Loans to qualifying **eligible** charter schools shall be repaid with no
25 interest and may be made by the authority for terms of up to three years. **in**
26 accordance with the terms of the loan agreement as approved by the division of
27 administration and the rules adopted pursuant to this Section. **Nothing herein**
28 shall limit the ability of a loan to be subordinated to a senior loan, to be paid off
29 prior to maturity, or to charge variable interest rates. All interest and principal

1 payments on loans shall be repaid and deposited back into the fund and made
2 available for additional loans.

3 (b) Loan repayment ~~shall~~ may occur by having the state Department of
4 Education automatically reduce the last state payment or payments for each eligible
5 charter school ~~by one-third of the total loan amount during the initial three years of~~
6 ~~the loan term~~ in accordance with the terms of the loan agreement. The state
7 Department of Education ~~shall~~ may instead deposit those funds with the state
8 treasury in the Louisiana Charter School Start-up and Expansion Loan Fund.

9 ~~(4)(6)~~ The ~~state board~~ division of administration shall not knowingly
10 approve the loan portion of any ~~Type 2~~ eligible charter school's budget proposal if
11 the background checks required by the state board reveals that any person principal
12 to the charter school proposal has been convicted of any felony related to
13 misappropriation of funds or theft.

14 (7)(a) If the charter agreement of any eligible charter school is revoked
15 or the school ceases to operate during the term of the loan agreement and the
16 loan is not fully repaid, all cash assets, equipment, property, facilities or other
17 physical assets purchased or constructed with loan funds shall be transferred
18 in accordance with the loan agreement and the rules adopted by the division of
19 administration.

20 (b) The state may, by suit, action, mandamus, or other proceedings,
21 protect and enforce any rights to assets or security provided in connection with
22 a loan agreement authorized pursuant to this Section.

23 E. Eligible charter schools shall comply with applicable laws related to
24 public bids for the erection, construction, alteration, improvement, or repair of
25 a public facility or immovable property pursuant to R.S. 17:3996(B)(19).

26 F. The division of administration shall submit an annual report to the
27 legislature, on or before December thirty-first, relative to fund activities for the
28 prior fiscal year, including but not limited to the following:

29 (1) The number of loan applications filed in the preceding year.

payments made, and outstanding balances.

(b) The amount expended on tangible items such as equipment, technology, and instructional materials.

(c) The amount expended on land acquisition and facility predevelopment and development costs, including construction hard and soft costs.

(d) The amount expended on facility acquisition, upgrade, repairs, and other eligible renovations.

(e) The amount expended for any other purposes approved by the division of administration that are related to the start-up, operation, expansion, or renovation of the eligible charter school.

Section 3. This Act shall become effective upon signature by the governor or, if not signed by the governor, upon expiration of the time for bills to become law without signature by the governor, as provided by Article III, Section 18 of the Constitution of Louisiana. If vetoed by the governor and subsequently approved by the legislature, this Act shall become 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 Senate Legislative Services. The keyword, summary, and digest do not constitute part of the law or proof or indicia of legislative intent. [R.S. 1:13(B) and 24:177(E)]

DIGEST

SB 71 Reengrossed

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 instead requires that monies be appropriated to the division of administration, hereinafter referred to as the "division", removes the requirement that the loans be issued without interest, and otherwise retains present law.

Proposed law authorizes expenses incurred by the division in administering the fund to be reimbursable from the fund.

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 instead requires the division to administer the use of the monies appropriated from the fund and adopt rules, in consultation with the state board, in accordance with the APA.

Proposed law authorizes the division 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 division 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 repayment term of the loan which shall not exceed the term of the charter agreement, 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 division.
- (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 division.

- (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 division.

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 division of administration 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 fund, not to exceed \$5M per loan; 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 division. Further requires loans to be executed through a loan agreement between the division 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 division and the rules adopted by the division. 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 division.

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 division to submit an annual report to the legislature, on or before December 31st, relative to 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.

Summary of Amendments Adopted by Senate

Senate Floor Amendments to engrossed bill

1. Require the division to administer the use of the monies appropriated from the fund instead of the state board.
2. Require the division to adopt rules, in consultation with the state board, in accordance with the APA.
3. Authorize the division to enter into contracts and other agreements in connection with the operation of fund instead of the state board.
4. Require that the terms of the loan agreement include the maximum repayment term of the loan which shall not exceed the term of the charter agreement.
5. Provide for a cap of \$5M per loan.

6. Require the division to submit an annual report to the legislature instead of the state board.
7. Make technical corrections.