

### ISSUE: Charter School Facilities & Lease Aid

Since the beginning, chartered public schools have been prohibited from using public funds for the purchase or construction of school facilities. In the late 1990's, some charter schools began to create Support Organizations (IRS term) that would purchase or construct facilities and then lease it to the charter school. In 2003, the Office of the Legislative Auditor called this arrangement into question and recommended that the Legislature address these charter school Support Organizations. The Legislature took no action.

In 2008, the Office of the Legislative Auditor undertook another study of charter school issues, including facilities, and again recommended the Legislature address these Support Organizations. In 2009, we were able to get these Support Organizations legally recognized – and in state law they are called Affiliated Building Companies (ABC's). The recognition was seen as a short-term solution to the question of whether these Support Organizations were an attempt to skirt the provision of not using public funds for charter school facilities.

In 2010, there was a major effort to address the charter school facilities issue – the bill had hearings in both the House and Senate – with the legislation making it into the Senate Education Omnibus Bill. However, the House did not include it and so in the final hours of the legislative session – given that charter school facilities were something the Senate wanted, and the House wanted the ability for districts to do certain taxes without voter approval which the Senate did not want – both provisions were left out of the final bill.

Over the last 10 years we have had charter school facilities bills introduced in several sessions, but the Legislature has not been willing to address the issue. It is a complicated issue, and at times they have equated it to issues like the State owning state academies.

Lease Aid was enacted in the mid 1990's and today the **annual appropriation is just under \$100 million a year**. Since Lease Aid was initiated, the total is over one billion dollars – even with the change during one of the state's financial shortfalls. The law was changed to require charter schools pay 10% of lease costs out of general funds.

**In FY20, the total lease costs were \$108.4 million dollars, while Lease Aid for FY20 was appropriated at \$85.4 million**, which means that schools overall are paying significantly more than 10% from general funds. A significant amount of that extra amount can be connected to schools with ABC's – but other schools are facing increasing lease costs, and given that Lease Aid per student has not been raised, once Lease Aid is maxed out by a school the increase costs need to be paid from general funds.



### **POLICY SOLUTION: Direct Ownership, Bonding & Revamp Lease Aid**

- Allow direct ownership of school facilities for qualifying schools.
- Repeal the ban on the use of public funds to purchase charter school facilities.
- Transfer facilities owned by ABC's to the school corporation upon refinancing or payoff of bonds or mortgage.
- Establish a state bonding authority to issue bonds for charter school facilities.
- Revamp Lease Aid to Facilities Aid and create Facility Preservation Aid for schools that own buildings but have no mortgage or facilities debt.
- Link increases in Facilities Aid to increases in the general formula.

**For more information on this Issue & Solution, contact either:**

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