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# State of Minnesota

## HOUSE OF REPRESENTATIVES

EIGHTY-NINTH SESSION

# H. F. No. 3204

03/16/2016 Authored by Erickson

The bill was read for the first time and referred to the Committee on Education Innovation Policy

1.1 A bill for an act  
1.2 relating to education; reformatting, making technical, grammatical corrections,  
1.3 and correcting erroneous, ambiguous, and omitted text in certain charter school  
1.4 provisions; amending Minnesota Statutes 2015 Supplement, sections 124E.01;  
1.5 124E.02; 124E.03; 124E.05; 124E.06; 124E.07; 124E.08; 124E.10; 124E.12;  
1.6 124E.13; 124E.15; 124E.16; 124E.17; 124E.22; 124E.24; 124E.25; 124E.26.

1.7 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

1.8 Section 1. Minnesota Statutes 2015 Supplement, section 124E.01, is amended to read:

1.9 **124E.01 PURPOSE AND APPLICABILITY.**

1.10 Subdivision 1. **Purposes.** The primary purpose of ~~this chapter~~ charter schools is to  
1.11 improve all pupil learning and all student achievement. Additional purposes include to:

1.12 (1) increase learning opportunities for all pupils;

1.13 (2) encourage the use of different and innovative teaching methods;

1.14 (3) measure learning outcomes and create different and innovative forms of  
1.15 measuring outcomes;

1.16 (4) establish new forms of accountability for schools; or

1.17 (5) create new professional opportunities for teachers, including the opportunity to  
1.18 be responsible for the learning program at the school site.

1.19 Subd. 2. **Applicability.** This chapter applies only to charter schools formed and  
1.20 operated under this chapter. Other statutes and rules that specifically apply to charter  
1.21 schools also govern charter schools.

1.22 Sec. 2. Minnesota Statutes 2015 Supplement, section 124E.02, is amended to read:

1.23 **124E.02 DEFINITIONS.**

(a) For purposes of this chapter, the terms defined in this ~~paragraph~~ section have the meanings given them.

~~"Application" to receive approval as an authorizer means the proposal an eligible authorizer submits to the commissioner under section 124E.05 before that authorizer is able to submit any affidavit to charter to a school.~~

~~"Application" under section 124E.06 means the charter school business plan a school developer submits to an authorizer for approval to establish a charter school that documents the school developer's mission statement, school purposes, program design, financial plan, governance and management structure, and background and experience, plus any other information the authorizer requests. The application also shall include a "statement of assurances" of legal compliance prescribed by the commissioner.~~

~~(b) "Affidavit" means a written statement the authorizer submits to the commissioner for approval to establish a charter school under section 124E.06 attesting to its review and approval process before chartering a school, subdivision 4.~~

~~(b) For purposes of this chapter:~~

~~(1) "related party" means an affiliate or immediate relative of the other party in question, an affiliate of an immediate relative, or an immediate relative of an affiliate;~~

~~(2) (c) "Affiliate" means a person that directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with another person;~~

~~(d) "Control" means the ability to affect the management, operations, or policy actions or decisions of a person, whether by owning voting securities, by contract, or otherwise.~~

~~(3) (e) "Immediate family" means an individual whose relationship by blood, marriage, adoption, or partnering partnership is no more remote than first cousin;~~

~~(4) (f) "Person" means an individual or entity of any kind; and~~

~~(5) "control" means the ability to affect the management, operations, or policy actions or decisions of a person, whether through ownership of voting securities, by contract, or otherwise.~~

~~(g) "Related party" means an affiliate or immediate relative of the other interested party, an affiliate of an immediate relative who is the other interested party, or an immediate relative of an affiliate who is the other interested party.~~

~~(h) For purposes of this chapter, the terms defined in section 120A.05 have the same meanings.~~

Sec. 3. Minnesota Statutes 2015 Supplement, section 124E.03, is amended to read:

**124E.03 APPLICABLE LAW.**

Subdivision 1. **Public status; exemption from statutes and rules.** A charter school is a public school and is part of the state's system of public education. A charter school is exempt from all statutes and rules applicable to a school, school board, or school district unless a statute or rule ~~is made specifically applicable~~ specifically applies to a charter school or is included in this chapter.

Subd. 2. **~~General~~ Certain federal, state, and local requirements.** (a) A charter school shall meet all federal, state, and local health and safety requirements applicable to school districts.

(b) A school must comply with statewide accountability requirements governing standards and assessments in chapter 120B.

(c) A charter school ~~is subject to and~~ must comply with the Minnesota Public School Fee Law, sections 123B.34 to 123B.39.

(d) A charter school is a district for the purposes of tort liability under chapter 466.

(e) A charter school ~~is subject to~~ must comply with the Pledge of Allegiance requirement under section 121A.11, subdivision 3.

(f) A charter school and charter school board of directors ~~are subject to~~ must comply with chapter 181 governing requirements for employment.

(g) A charter school ~~is subject to and~~ must comply with continuing truant notification under section 260A.03.

(h) A charter school must develop and implement a teacher evaluation and peer review process under section 122A.40, subdivision 8, paragraph (b), clauses (2) to (13). The teacher evaluation process in this paragraph does not create any additional employment rights for teachers.

(i) A charter school must adopt a policy, plan, budget, and process, consistent with section 120B.11, to review curriculum, instruction, and student achievement and strive for the world's best workforce.

Subd. 3. **Pupils with a disability.** A charter school must comply with sections 125A.02, 125A.03 to 125A.24, 125A.65, and 125A.75 and rules relating to the education of pupils with a disability as though it were a district. A charter school enrolling prekindergarten pupils with a disability under section 124E.11, paragraph (h), must comply with sections 125A.259 to 125A.48 and rules relating to the Interagency Early Intervention System as though it were a school district.

Subd. 4. **Students' rights and related law.** (a) A charter school ~~student~~ must ~~be released~~ release a student for religious instruction, consistent with section 120A.22, subdivision 12, clause (3).

(b) A charter school ~~is subject to and~~ must comply with chapter 363A governing the Minnesota Human Rights Act and section 121A.04 governing Title IX requirements in schools.

(c) A charter school must comply with section 121A.031 governing policies on ~~prohibited conduct~~ bullying.

Subd. 5. **Records, meetings, and data requirements.** (a) A charter school must comply with ~~chapters~~ chapter 13 and 13D governing government data; and sections 120A.22, subdivision 7; 121A.75; governing access to juvenile justice records, and 260B.171, subdivisions 3 and 5, governing juvenile justice records.

(b) A charter school must comply with section 120A.22, subdivision 7, governing the transfer of students' educational records and sections 138.163 and 138.17 governing the management of local records.

Subd. 5a. **Open meetings.** A charter school must comply with chapter 13D governing open meetings.

Subd. 6. **Length of school year.** A charter school must provide instruction each year for at least the number of hours required by section 120A.41. It may provide instruction throughout the year ~~according to~~ under sections 124D.12 to 124D.127 or 124D.128 governing learning year programs.

Subd. 7. **Additional program-specific requirements.** (a) A charter school offering online courses or programs must comply with section 124D.095 governing online learning.

(b) A charter school that provides early childhood health and developmental screening must comply with sections 121A.16 to 121A.19 governing early childhood screening.

(c) A charter school that provides school-sponsored youth athletic activities must comply with section 121A.38 governing policies on concussions.

Sec. 4. Minnesota Statutes 2015 Supplement, section 124E.05, is amended to read:

**124E.05 AUTHORIZERS.**

Subdivision 1. **Eligible authorizers.** ~~(a) The following organizations in this subdivision may authorize one or more charter schools: The authorizer must participate in commissioner-approved training.~~

~~(1) (b) A school board, intermediate school district school board, or education district organized under sections 123A.15 to 123A.19; may authorize a charter school.~~

~~(2) (c) A charitable organization under section 501(c)(3) of the Internal Revenue Code of 1986, excluding a nonpublic sectarian or religious institution; any person other than a natural person that directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with the nonpublic sectarian or~~

religious institution; and any other charitable organization under this clause that in the federal IRS Form 1023, Part IV, describes activities indicating a religious purpose, that may authorize a charter school, if the organization:

(i) (1) is a member of the Minnesota Council of Nonprofits or the Minnesota Council on Foundations;

(ii) (2) is registered with the attorney general's office; and

(iii) (3) is incorporated in the state of Minnesota and has been operating continuously for at least five years but does not operate a charter school; and

(4) is not:

(i) a nonpublic sectarian or religious institution;

(ii) any person other than a natural person that directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with the nonpublic sectarian or religious institution; or

(iii) any other charitable organization under this paragraph that in the federal IRS Form 1023, Part IV, describes activities indicating a religious purpose.

(3) (d) A Minnesota private college, notwithstanding clause (2), that grants two- or four-year degrees and is registered with the Minnesota Office of Higher Education under chapter 136A; may authorize a charter school, notwithstanding paragraph (c).

(e) community college, A state college or university, or technical college governed by the Board of Trustees of the Minnesota State Colleges and Universities; or may authorize a charter school.

(f) The University of Minnesota; may authorize a charter school.

(4) (g) A nonprofit corporation subject to chapter 317A, described in section 317A.905; and exempt from federal income tax under section 501(c)(6) of the Internal Revenue Code of 1986, may authorize one or more charter schools if the charter school has operated for at least three years under a different authorizer and if the nonprofit corporation has existed for at least 25 years; or.

(5) (h) A single-purpose authorizers authorizer formed as a charitable, nonsectarian organizations organization under section 501(c)(3) of the Internal Revenue Code of 1986 and incorporated in the state of Minnesota under chapter 317A as a corporation with no members or under section 322B.975 as a nonprofit limited liability company for the sole purpose of chartering schools may authorize a charter school. An eligible organization interested in being approved as an authorizer under this paragraph must submit a proposal to the commissioner that includes the provisions of subdivision 3 and a five-year financial plan. A single-purpose authorizer under this paragraph shall consider and approve charter school applications using the criteria under section 124E.06 and shall not limit

the applications it solicits, considers, or approves to any single curriculum, learning program, or method.

~~Subd. 2. **Requirements for authorizers.** (a) Eligible organizations interested in being approved as an authorizer under subdivision 1, clause (5), must submit a proposal to the commissioner that includes the provisions of subdivision 3 and a five-year financial plan. Such authorizers shall consider and approve charter school applications using the criteria provided in section 124E.06 and shall not limit the applications it solicits, considers, or approves to any single curriculum, learning program, or method.~~

~~(b) The authorizer must participate in department-approved training.~~

Subd. 3. **Application process.** (a) An eligible authorizer under this section must apply to the commissioner for approval as an authorizer before submitting any affidavit to the commissioner to charter a school. The application for approval as a charter school authorizer must ~~demonstrate~~ show the applicant's ability to implement the procedures and satisfy the criteria for chartering a school under this chapter. The commissioner must approve or disapprove ~~an~~ the application within 45 business days of the ~~application deadline for that application period~~. If the commissioner disapproves the application, the commissioner must notify the applicant of the specific deficiencies in writing and the applicant then has 20 business days to address the deficiencies to the commissioner's satisfaction. After the 20 business days expire, the commissioner has 15 business days to ~~make a final decision~~ finally decide to approve or disapprove the application. Failing to address the deficiencies to the commissioner's satisfaction makes an applicant ineligible to be an authorizer. The commissioner, in establishing criteria ~~for approval to approve an authorizer~~, consistent with subdivision 4, must consider the applicant's:

(1) ~~capacity and infrastructure~~ and capacity to serve as an authorizer;

(2) application criteria and process;

(3) contracting process;

(4) ongoing oversight and evaluation processes; and

(5) renewal criteria and processes.

(b) A disapproved applicant under this section may resubmit an application during a future application period.

Subd. 4. **Application content.** To be approved as an authorizer, an applicant must include in its application to the commissioner ~~to be an approved authorizer~~ at least the following:

(1) how the organization carries out its mission by chartering schools ~~is a way for the organization to carry out its mission~~;

(2) ~~a description of the capacity of the organization~~ the organization's capacity to serve as an authorizer, including the personnel who ~~will~~ perform the authorizing duties, their qualifications, the amount of time they ~~will be~~ are assigned to this responsibility, and the financial resources ~~allocated by the organization~~ allocates to this responsibility;

(3) ~~a description of the application and review process the authorizer will use~~ uses to ~~make decisions regarding the granting of~~ decide whether to grant charters;

(4) ~~a description of the type of contract it will arrange~~ arranges with the schools it ~~charters that meets to meet~~ the provisions of section 124E.10;

(5) the process ~~to be used for providing ongoing oversight of~~ overseeing the school, consistent with ~~the contract expectations specified in clause (4) that assures, to ensure that the schools chartered ~~are complying~~ comply with ~~both the provisions of~~ applicable law and rules; and ~~with the contract~~;~~

(6) ~~a description of the criteria and process the authorizer will use~~ uses to ~~grant~~ expanded approve applications adding grade or sites under section 124E.06, subdivision 5;

(7) the process for ~~making decisions regarding the renewal or termination of~~ renewing or terminating the school's charter based on evidence ~~that demonstrates~~ showing the academic, organizational, and financial competency of the school, including its success in increasing student achievement and meeting the goals of the charter school agreement; and

(8) ~~an assurance specifying that the organization is committed to serving the~~ organization's stated intent to serve as an authorizer for the full five-year term.

Subd. 5. **Review by commissioner.** The commissioner shall review an authorizer's performance every five years in a manner and form determined by the commissioner and may review an authorizer's performance more frequently at the commissioner's own initiative or at the request of a charter school operator, charter school board member, or other interested party. The commissioner, after completing the review, shall transmit a report with findings to the authorizer.

Subd. 6. **Corrective action.** (a) If, consistent with this chapter, the commissioner finds that an authorizer has not ~~fulfilled~~ met the requirements of this chapter, the commissioner may subject the authorizer to corrective action, which may include terminating the contract with the charter school board of directors of a school it chartered. The commissioner must notify the authorizer in writing of any findings that may subject the authorizer to corrective action and the authorizer then has 15 business days to request an informal hearing before the commissioner takes corrective action. If the commissioner terminates a contract between an authorizer and a charter school under this paragraph, the commissioner may assist the charter school in acquiring a new authorizer.

(b) The commissioner may at any time take corrective action against an authorizer, including terminating an authorizer's ability to charter a school for:

(1) failing to ~~demonstrate the criteria~~ implement the application the commissioner approved under subdivision 4 ~~under which the commissioner approved the authorizer~~;

(2) violating a term of the chartering contract between the authorizer and the charter school board of directors;

(3) unsatisfactory performance as an approved authorizer; or

(4) any good cause shown that ~~provides~~ gives the commissioner a legally sufficient reason to take corrective action against an authorizer.

Subd. 7. **Withdrawal.** If the governing board of an approved authorizer votes to withdraw as an approved authorizer for a reason unrelated to any cause under section 124E.10, subdivision 4, governing not renewed or terminated contracts, the authorizer must notify all its chartered schools and the commissioner in writing by July 15 of its intent to withdraw as an authorizer on June 30 in the next calendar year, regardless of when the authorizer's five-year term of approval ends. The commissioner may approve the transfer of a charter school to a new authorizer ~~under this subdivision~~ after the new authorizer submits an affidavit to the commissioner.

Subd. 8. **Reports.** By September 30 of each year, an authorizer shall submit to the commissioner a statement of income and expenditures related to chartering activities during the previous school year ending June 30. ~~A copy of the statement shall be given to all schools chartered by the authorizer.~~ The authorizer must transmit a copy of the statement to all schools it charts.

Sec. 5. Minnesota Statutes 2015 Supplement, section 124E.06, is amended to read:

**124E.06 FORMING A SCHOOL.**

Subdivision 1. **Individuals eligible to organize.** (a) An authorizer, after receiving an application from a charter school developer, may charter either a licensed teacher under section 122A.18, subdivision 1, or a group of individuals that includes one or more licensed teachers under section 122A.18, subdivision 1, to operate a school subject to the commissioner's approval of the authorizer's affidavit under subdivision 4.

(b) "Application" under this section means the charter school business plan a charter school developer submits to an authorizer for approval to establish a charter school. This application must include:

(1) the school developer's:

(i) mission statement;

(ii) school purposes;

9.1 (iii) program design;  
 9.2 (iv) financial plan;  
 9.3 (v) governance and management structure; and  
 9.4 (vi) background and experience;  
 9.5 (2) any other information the authorizer requests; and  
 9.6 (3) a promise to comply with the "statement of assurances" prescribed by the  
 9.7 commissioner.

9.8 ~~(b)~~ (c) An authorizer shall not approve an application submitted by a charter school  
 9.9 developer under paragraph (a) if the application does not comply with subdivision 3,  
 9.10 paragraph ~~(d)~~ (e), and section 124E.01, subdivision 1. The commissioner shall not  
 9.11 approve an affidavit submitted by an authorizer under subdivision 4 if the affidavit does  
 9.12 not comply with subdivision 3, paragraph ~~(d)~~ (e), and section 124E.01, subdivision 1.

9.13 Subd. 2. **Nonprofit corporation.** (a) The school must be organized and operated as  
 9.14 a nonprofit corporation under chapter 317A and the provisions ~~under the applicable of that~~  
 9.15 chapter shall apply to the school except as provided in this chapter.

9.16 ~~(b)~~ The operators authorized to organize and operate a school; must incorporate as a  
 9.17 nonprofit corporation before entering into a contract or other agreement for professional  
 9.18 or other services, goods, or facilities; ~~must incorporate as a nonprofit corporation under~~  
 9.19 ~~chapter 317A.~~

9.20 ~~(e)~~ (b) Notwithstanding sections 465.717 and 465.719, a school district, subject to  
 9.21 this chapter, may create a corporation for the purpose of establishing a charter school.

9.22 Subd. 3. **Requirements.** (a) The primary focus of a charter school must be to  
 9.23 provide a comprehensive program of instruction for at least one grade or age group from  
 9.24 ages five through 18 years of age. ~~Instruction A charter school may be provided provide~~  
 9.25 instruction to people older than 18 years of age.

9.26 (b) A charter school may offer a free or fee-based preschool or prekindergarten that  
 9.27 meets high-quality early learning instructional program standards ~~that are~~ aligned with  
 9.28 Minnesota's early learning standards for children. The hours a student is enrolled in a  
 9.29 fee-based prekindergarten program do not generate pupil units under section 126C.05 and  
 9.30 must not be used to calculate general education revenue under section 126C.10.

9.31 ~~(b)~~ (c) A charter school must be nonsectarian in its programs, admission policies,  
 9.32 employment practices, and all other operations. An authorizer may not authorize a charter  
 9.33 school or program that is affiliated with a nonpublic sectarian school or a religious  
 9.34 institution.

9.35 ~~(e)~~ (d) ~~Charter schools~~ A charter school must not be used as a method of providing  
 9.36 to provide education or ~~generating~~ generate revenue for students who are being

10.1 home-schooled students. This paragraph does not apply to shared time aid under section  
10.2 126C.19.

10.3 ~~(d)~~ (e) This chapter does not provide a means to keep open a school that a  
10.4 school board decides to close. However, a school board may endorse or authorize ~~the~~  
10.5 ~~establishment of~~ establishing a charter school to replace the school the board decided to  
10.6 close. Applicants seeking a charter under this circumstance must demonstrate to the  
10.7 authorizer that the charter sought is substantially different in purpose and program from  
10.8 the school the board closed and that the proposed charter satisfies the requirements of  
10.9 section 124E.01, subdivision 1. If the school board that closed the school authorizes  
10.10 the charter, it must document in its affidavit to the commissioner that the charter is  
10.11 substantially different in program and purpose from the school it closed.

10.12 ~~(e)~~ (f) A school authorized by a school board may be located in any district, unless  
10.13 the school board of the district of the proposed location disapproves the location by  
10.14 written resolution.

10.15 ~~(f)~~ (g) Except as provided in paragraph ~~(a)~~ (b), a charter school may not charge tuition.

10.16 ~~(g)~~ (h) The authorizer may prevent an approved charter school from ~~opening for~~  
10.17 ~~operation~~ operating if, among other grounds, the charter school violates this chapter or  
10.18 does not meet the ready-to-open standards that are part of (1) the authorizer's oversight  
10.19 and evaluation process or are (2) stipulated in the charter school contract.

10.20 Subd. 4. **Authorizer's affidavit; approval process; authorizer's affidavit.** (a)  
10.21 Before ~~the operators~~ an operator may establish and operate a school, the authorizer must  
10.22 file an affidavit with the commissioner stating its intent to charter a school. An authorizer  
10.23 must file a separate affidavit for each school it intends to charter. An authorizer must file  
10.24 an affidavit at least 14 months before July 1 of the year the new charter school plans to  
10.25 serve students. The affidavit must state:

10.26 (1) the terms and conditions under which the authorizer would charter a school ~~and~~;

10.27 (2) how the authorizer intends to oversee the fiscal and student performance of the  
10.28 charter school; and

10.29 (3) how the authorizer intends to comply with the terms of the written contract  
10.30 between the authorizer and the charter school board of directors under section 124E.10,  
10.31 subdivision 1.

10.32 (b) The commissioner must approve or disapprove the authorizer's affidavit within  
10.33 60 business days of ~~receipt of~~ receiving the affidavit. If the commissioner disapproves the  
10.34 affidavit, the commissioner shall notify the authorizer of the deficiencies in the affidavit  
10.35 and the authorizer then has 20 business days to address the deficiencies. The commissioner  
10.36 must notify the authorizer of the commissioner's final approval or final disapproval

within 15 business days after receiving the authorizer's response to the deficiencies in the affidavit. ~~If the authorizer does not address deficiencies to the commissioner's satisfaction, the commissioner's disapproval is final. Failure to obtain commissioner approval precludes~~ An authorizer who fails to obtain the commissioner's approval is precluded from chartering the school that is the subject of this affidavit.

Subd. 5. **~~Expansion of a charter~~ Adding grades or sites.** (a) A charter school may apply to the authorizer to amend the school charter to ~~expand the operation of the school to additional~~ add grades or sites ~~that would be students' primary enrollment site~~ sites beyond those defined in the original affidavit approved by the commissioner. After approving the school's application, the authorizer shall submit a supplementary affidavit in the form and manner prescribed by the commissioner. The authorizer must file a supplement affidavit to the commissioner by October 1 to be eligible to ~~expand~~ add grades or sites in the next school year. The supplementary affidavit must document ~~that the school has demonstrated to the authorizer's satisfaction of the authorizer the following:~~

(1) the need for the ~~expansion~~ additional grades or sites with supporting long-range enrollment projections;

(2) a longitudinal record of ~~demonstrated~~ student academic performance and growth on statewide assessments under chapter 120B or on other academic assessments that measure longitudinal student performance and growth approved by the charter school's board of directors and agreed upon with the authorizer;

(3) a history of sound school finances and a ~~finance~~ plan to ~~implement the expansion in a manner to promote~~ add grades or sites that sustains the school's ~~financial sustainability~~ finances; and

(4) board capacity ~~and an administrative and management plan to implement its expansion to administer and manage the additional grades or sites.~~

(b) The commissioner shall have 30 business days to review and comment on the supplemental affidavit. The commissioner shall notify the authorizer in writing of any deficiencies in the supplemental affidavit and the authorizer then has 20 business days to address ~~to the commissioner's satisfaction, any deficiencies in the supplemental affidavit to the commissioner's satisfaction.~~ The commissioner must notify the authorizer of final approval or final disapproval within 15 business days after receiving the authorizer's response to the deficiencies in the affidavit. The school may not ~~expand~~ add grades or ~~add~~ sites until the commissioner has approved the supplemental affidavit. ~~The commissioner's approval or disapproval of a supplemental affidavit is final.~~

Subd. 6. **Conversion of existing schools.** A board of an independent or special school district may convert one or more of its existing schools to charter schools under

this chapter if 60 percent of the full-time teachers at the school sign a petition seeking conversion. The conversion must occur at the beginning of an academic year.

Subd. 7. **Merger.** (a) Two or more charter schools may merge under chapter 317A. The effective date of a merger must be July 1. The merged school must continue under the identity of one of the merging schools. The authorizer and the merged school must execute a new charter contract under section 124E.10, subdivision 1, must be executed by July 1. The authorizer must submit to the commissioner a copy of the new signed charter contract within ten business days of ~~its execution~~ executing the contract.

(b) Each merging school must submit a separate year-end report for the previous fiscal year for that school only. After the final fiscal year of the premerger schools is closed out, each of those schools must transfer the fund balances and debts from the merging schools must be transferred to the merged school.

(c) For its first year of operation, the merged school is eligible to receive aid from programs requiring approved applications equal to the sum of the aid of all of the merging schools. For aids based on prior year data, the merged school is eligible to receive aid for its first year of operation based on the combined data of all of the merging schools.

Sec. 6. Minnesota Statutes 2015 Supplement, section 124E.07, is amended to read:

**124E.07 BOARD OF DIRECTORS.**

Subdivision 1. **Initial board of directors.** Before entering into a contract or other agreement for professional or other services, goods, or facilities, the operators authorized to organize and operate a school, ~~before entering into a contract or other agreement for professional or other services, goods, or facilities,~~ must establish a board of directors composed of at least five members who are not related parties. The initial board continues to serve until a timely election for members of the ongoing charter school board of directors is held according to the school's articles and bylaws under subdivision 4.

Subd. 2. **Ongoing board of directors.** The ongoing board must be elected before the school completes its third year of operation. Board elections must be held during the school year but may not be conducted on days when the school is closed ~~for holidays, breaks, or vacations.~~

Subd. 3. **Membership criteria.** (a) The ongoing charter school board of directors ~~shall be composed of~~ have at least five nonrelated members and include: (1) at least one licensed teacher who is employed as a teacher at the school or ~~providing~~ provides instruction under contract between the charter school and a cooperative; (2) at least one parent or legal guardian of a student enrolled in the charter school who is not an employee of the charter school; and (3) at least one interested community member who resides in

Minnesota ~~and~~, is not employed by the charter school, and does not have a child enrolled in the school. The board may include a majority of teachers ~~described in~~ under this paragraph or parents or community members, or it may have no clear majority. The chief financial officer and the chief administrator may only serve as ex-officio nonvoting board members. No charter school employees shall serve on the board other than teachers under clause (1). Contractors providing facilities, goods, or services to a charter school shall not serve on the board of directors of the charter school.

(b) An individual is prohibited from serving as a member of the charter school board of directors if: (1) the individual, an immediate family member, or the individual's partner is a full or part owner or principal with a for-profit or nonprofit entity or independent contractor with whom the charter school contracts, directly or indirectly, for professional services, goods, or facilities. ~~An individual is prohibited from serving as a board member if;~~ or (2) an immediate family member is an employee of the school. An individual may serve as a member of the board of directors if no conflict of interest exists under this paragraph, consistent with this section.

(c) A violation of this prohibition paragraph (b) renders a contract voidable at the option of the commissioner or the charter school board of directors. A member of a charter school board of directors who violates this prohibition paragraph (b) is individually liable to the charter school for any damage caused by the violation.

~~(e) (d)~~ Any employee, agent, or board member of the authorizer who participates in the initial review, approval, ongoing oversight, evaluation, or the charter renewal or nonrenewal process or decision initially reviewing, approving, overseeing, evaluating, renewing, or not renewing the charter school is ineligible to serve on the board of directors of a school chartered by that authorizer.

~~(d) An individual may serve as a member of the board of directors if no conflict of interest under paragraph (b) exists.~~

Subd. 4. **Structure of Board structure.** Board bylaws shall outline the process and procedures for changing the board's governance structure, consistent with chapter 317A. A board may change its governance structure only:

(1) by a majority vote of the board of directors and a majority vote of the licensed teachers employed by the school as teachers, including licensed teachers providing instruction under a contract between the school and a cooperative; and

(2) with the authorizer's approval.

Any change in board governance structure must conform with the board composition of the board established under this subdivision section.

14.1 Subd. 5. **Eligible voters.** Staff members employed at the school, including teachers  
14.2 providing instruction under a contract with a cooperative, members of the board of  
14.3 directors, and all parents or legal guardians of children enrolled in the school are the voters  
14.4 eligible to elect the members of the school's board of directors. A charter school must  
14.5 notify eligible voters of the school board election dates at least 30 days before the election.

14.6 Subd. 6. **Duties.** The board of directors also shall decide and ~~be~~ are responsible  
14.7 for policy matters related to ~~the operation of~~ operating the school, including budgeting,  
14.8 curriculum programming, personnel, and operating procedures. The board shall adopt a  
14.9 ~~policy on nepotism in employment~~ policy. The board shall adopt personnel evaluation  
14.10 policies and practices that, at a minimum:

14.11 (1) carry out the school's mission and goals;

14.12 (2) evaluate ~~the execution of~~ how charter contract goals and commitments are  
14.13 executed;

14.14 (3) evaluate student achievement, postsecondary and workforce readiness, and  
14.15 student engagement and connection goals;

14.16 (4) establish a teacher evaluation process under section 124E.03, subdivision 2,  
14.17 paragraph (h); and

14.18 (5) provide professional development related to the individual's job responsibilities.

14.19 Subd. 7. **Training.** Every charter school board member shall attend annual training  
14.20 throughout the member's term ~~on the board~~. All new board members shall attend initial  
14.21 training on the board's role and responsibilities, employment policies and practices, and  
14.22 financial management. A new board member who does not begin the required initial  
14.23 training within six months after being seated and complete that training within 12 months  
14.24 ~~of after~~ being seated ~~on the board~~ is automatically ineligible to continue to serve as a board  
14.25 member. The school shall include in its annual report the training each board member  
14.26 ~~attended by each board member~~ during the previous year.

14.27 Subd. 8. **Meetings and information.** (a) Board of director meetings must comply  
14.28 with chapter 13D governing open meetings.

14.29 (b) A charter school shall publish and maintain on the school's official Web site:

14.30 (1) the meeting minutes ~~of meetings~~ of the board of directors; and of members and  
14.31 committees having ~~any~~ board-delegated authority, for at least ~~one calendar year~~ 365

14.32 days from the date of publication; (2) directory information for ~~members of~~ the board of  
14.33 directors and for the members of committees having board-delegated authority; and (3)

14.34 identifying and contact information for the school's authorizer. A charter school must

14.35 include identifying and contact information for the school's authorizer ~~must be included~~ in  
14.36 other school materials ~~made~~ it makes available to the public.

15.1 Sec. 7. Minnesota Statutes 2015 Supplement, section 124E.08, is amended to read:

15.2 **124E.08 ~~COLLABORATION BETWEEN CHARTER SCHOOL AND~~**  
15.3 **SCHOOL DISTRICT COLLABORATION.**

15.4 (a) A charter school board may voluntarily enter into a two-year, renewable  
15.5 collaboration agreement for collaboration with a school district in which the charter  
15.6 school is located to enhance student the achievement with a school district within whose  
15.7 geographic boundary it operates of the students in the district and the students in the  
15.8 charter school.

15.9 (b) A school district ~~need~~ does not need to be either an approved authorizer or the  
15.10 authorizer of the charter school to enter into a collaboration agreement ~~with a charter~~  
15.11 ~~school under this section. A charter school need not be authorized by the school district~~  
15.12 ~~with which it seeks to collaborate.~~

15.13 (c) A charter school authorizer is prohibited from requiring a collaboration  
15.14 agreement as a condition of entering into or renewing a charter contract as defined in  
15.15 section 124E.10, subdivision 1.

15.16 (d) ~~Nothing in this section or in the collaboration agreement may impact in any way~~  
15.17 ~~the authority or autonomy of the charter school.~~

15.18 (e) ~~Nothing in this section or in the collaboration agreement shall cause the state to~~  
15.19 ~~pay twice for the same student, service, or facility or otherwise impact state funding, or~~  
15.20 ~~the flow thereof, to the school district or the charter school.~~

15.21 (f) (b) The collaboration agreement may include, but ~~need~~ is not be limited  
15.22 to, collaboration regarding facilities, transportation, training, student achievement,  
15.23 assessments, mutual performance standards, and other areas of mutual agreement.

15.24 (g) (c) For purposes of student assessment and reporting to the state under section  
15.25 120B.36, the school district may include the academic performance of the students of a  
15.26 collaborative charter school site ~~operating within the geographic boundaries of the school~~  
15.27 ~~district, for purposes of student assessment and reporting to the state.~~

15.28 (h) Districts, authorizers, or charter schools entering into a collaborative agreement  
15.29 are equally and collectively subject to the same state and federal accountability measures  
15.30 for student achievement, school performance outcomes, and school improvement  
15.31 strategies. The collaborative agreement and all accountability measures must be posted  
15.32 on the district, charter school, and authorizer Web sites.

15.33 (d) Nothing in this section or in the collaboration agreement may impact in any way  
15.34 the authority or autonomy of the charter school.

16.1 (e) Nothing in this section or in the collaboration agreement shall cause the state to  
16.2 pay twice for the same student, service, or facility or otherwise impact state funding or  
16.3 payment to the school district or the charter school.

16.4 Sec. 8. Minnesota Statutes 2015 Supplement, section 124E.10, is amended to read:

16.5 **124E.10 CHARTER CONTRACT.**

16.6 Subdivision 1. **Contents.** (a) ~~The authorization for~~ To authorize a charter school, ~~the~~  
16.7 authorizer and the charter school board of directors must be in the form of sign a written  
16.8 contract ~~signed by the authorizer and the board of directors of the charter school. The~~  
16.9 ~~contract must be completed~~ within 45 business days of the commissioner's approval of  
16.10 the authorizer's affidavit. The authorizer shall submit ~~to the commissioner~~ a copy of the  
16.11 ~~signed~~ charter contract to the commissioner within ten business days ~~of its execution~~ after  
16.12 the contract is signed by the contracting parties. The contract ~~for a charter school~~ must  
16.13 ~~be in writing and contain~~ include at least the following:

16.14 (1) a declaration that the charter school will carry out the primary purpose in section  
16.15 124E.01, subdivision 1, and indicate how the school will report its implementation of the  
16.16 primary purpose to its authorizer;

16.17 (2) a declaration of the additional purpose or purposes in section 124E.01,  
16.18 subdivision 1, that the school intends to carry out and indicate how the school will report  
16.19 its implementation of those purposes to its authorizer;

16.20 (3) a description of the school program and the specific academic and nonacademic  
16.21 outcomes that pupils must achieve;

16.22 (4) a statement of admission policies and procedures;

16.23 (5) a school governance, management, and administration plan ~~for the school~~;

16.24 (6) signed agreements from charter school board members to comply with ~~all~~ the  
16.25 federal and state laws governing organizational, programmatic, and financial requirements  
16.26 applicable to charter schools;

16.27 (7) the criteria, processes, and procedures ~~that~~ the authorizer will use to monitor and  
16.28 evaluate the fiscal, operational, and academic performance, consistent with subdivision  
16.29 3, paragraphs (a) and (b);

16.30 (8) for contract renewal, the formal written performance evaluation ~~of the school~~  
16.31 that is a prerequisite for reviewing a charter contract under subdivision 3;

16.32 (9) types and amounts of insurance liability coverage ~~to be obtained by~~ the charter  
16.33 school must obtain, consistent with section 124E.03, subdivision 2, paragraph (d);

(10) consistent with section 124E.09, paragraph (d), a provision to indemnify and hold harmless ~~the authorizer and its officers, agents, and employees~~ from any suit, claim, or liability arising from any charter school operation ~~of the charter school~~;

(i) the authorizer and its officers, agents, and employees; and

(ii) notwithstanding section 3.736, the commissioner and department officers, agents, and employees ~~notwithstanding section 3.736~~;

(11) the term of the ~~initial~~ contract, which, for an initial contract, may be up to five years plus an additional preoperational planning year, ~~and up to five years or~~ for a renewed contract or a contract with a new authorizer after a transfer of authorizers, may be up to five years, if warranted by the school's academic, financial, and operational performance;

(12) how the charter school board of directors or the charter school operators ~~of the charter school~~ will provide special instruction and services for children with a disability under sections 125A.03 to 125A.24, and 125A.65, and a description of the financial parameters within which the charter school will ~~operate to~~ provide the special instruction and services to children with a disability;

(13) the specific conditions for contract renewal that identify the performance of all students under the primary purpose of section 124E.01, subdivision 1, as the most important factor in determining whether to renew the contract renewal; and

(14) the additional purposes under section 124E.01, subdivision 1, and related performance obligations under clause (7) contained in the charter contract as additional factors in determining whether to renew the contract renewal; and

~~(15)~~ (b) In addition to the requirements of paragraph (a), the charter contract must contain the plan for an orderly closing of the school under chapter 317A, that establishes the responsibilities of the school board of directors and the authorizer, whether the closure is a termination for cause, a voluntary termination, or a nonrenewal of the contract, that includes establishing the responsibilities of the school board of directors and the authorizer and notifying. The plan must establish who is responsible for:

(1) notifying the commissioner, ~~authorizer~~, school district in which the charter school is located, and parents of enrolled students about the closure;

(2) providing parents of enrolled students information and assistance ~~sufficient to~~ enable the student to re-enroll in another school; ~~the~~;

(3) transfer of transferring student records under section 124E.03, subdivision 5, paragraph (b), to the school district in which the charter school is located; and

(4) procedures for closing financial operations.

~~(b)~~ (c) A charter school must design its programs to at least meet the outcomes adopted by the commissioner for public school students. In the absence of the

commissioner's requirements governing state standards and benchmarks, the school must meet the outcomes contained in the contract with the authorizer. The achievement levels of the outcomes contained in the contract may exceed the achievement levels of any outcomes adopted by the commissioner for public school students.

Subd. 2. **Limitations** **Limits on charter contract school agreements.** (a) A school must disclose to the commissioner any potential contract, lease, or purchase of service from an authorizer ~~must be disclosed to the commissioner.~~ The contract, lease, or purchase must be accepted through an open bidding process, and be a separate contract from the charter contract. The school must document the open bidding process. An authorizer must not enter into a contract to provide management and financial services for ~~to a school that it authorizes, unless the school documents that it received~~ receiving at least two competitive bids.

(b) ~~The~~ An authorizer must not condition granting or renewal of ~~renewing a charter school by an authorizer must not be contingent on:~~

(1) the charter school being required to contract, lease, or purchase services from the authorizer; or

(e) ~~The granting or renewal of a charter by an authorizer must not be conditioned upon~~ (2) the bargaining unit status of the school ~~employees of the school.~~

Subd. 3. **Review and comment.** (a) The authorizer shall provide a formal written evaluation of the school's performance before the authorizer renews the charter contract. ~~The department~~ commissioner must review and comment on the authorizer's evaluation process at the time the authorizer submits its application for approval and each time the authorizer undergoes its five-year review under section 124E.05, subdivision 5.

(b) An authorizer shall monitor and evaluate the academic, financial, operational, and student performance of the school, and may ~~for this purpose annually~~ assess a charter school a fee according to paragraph (c). The agreed-upon fee structure must be stated in the charter school contract.

(c) The fee that an authorizer may annually assess is the greater of:

(1) the basic formula allowance for that year; or

(2) the lesser of:

(i) the maximum fee factor times the basic formula allowance for that year; or

(ii) the fee factor times the basic formula allowance for that year times the charter school's adjusted pupil units for that year. The fee factor equals .015. The maximum fee factor equals 4.0.

(d) An authorizer may not assess a fee for any required services other than as provided in this subdivision.

(e) For the preoperational planning period, after a school is chartered, the authorizer may assess a charter school a fee equal to the basic formula allowance.

Subd. 4. **Causes for nonrenewal or termination of charter school contract.** (a) The duration of the contract with an authorizer must be for the term contained in the contract according to subdivision 1, paragraph (a). The authorizer may or may not renew a contract at the end of the term for any ground listed in paragraph (b). An authorizer may unilaterally terminate a contract during the term of the contract for any ground listed in paragraph (b). At least 60 business days before not renewing or terminating a contract, the authorizer shall notify the board of directors of the charter school of the proposed action in writing. The notice shall state the grounds for the proposed action in reasonable detail and that describe the informal hearing process, consistent with this paragraph. The charter school's board of directors may request in writing an informal hearing before the authorizer within 15 business days ~~of~~ after receiving notice of nonrenewal or termination of the contract. Failure by the board of directors to make a written request for an informal hearing within the 15-business-day period shall be treated as acquiescence to the proposed action. Upon receiving a timely written request for a hearing, the authorizer shall give ten business days' notice to the charter school's board of directors of the hearing date. The authorizer shall conduct an informal hearing before taking final action. The authorizer shall take final action to renew or not renew a contract no later than 20 business days before the proposed date for terminating the contract or the end date of the contract.

(b) An authorizer may terminate or not renew a contract ~~may be terminated or not renewed~~ upon any of the following grounds:

- (1) failure to demonstrate satisfactory academic achievement for all students, including the requirements for pupil performance contained in the contract;
- (2) failure to meet generally accepted standards of fiscal management;
- (3) violations of law; or
- (4) other good cause shown.

If the authorizer terminates or does not renew a contract ~~is terminated or not renewed~~ under this paragraph, the school must be dissolved according to the applicable provisions of chapter 317A.

(c) The commissioner, after providing reasonable notice to the board of directors of a charter school and the existing authorizer, and after providing an opportunity for a public hearing, may terminate the existing contract between the authorizer and the charter school board if the charter school has a history of:

- (1) failure to meet pupil performance requirements<sub>2</sub> consistent with state law;

(2) financial mismanagement or failure to meet generally accepted standards of fiscal management; or

(3) repeated or major violations of the law.

Subd. 5. **Mutual nonrenewal.** If the authorizer and the charter school board of directors mutually agree not to renew the contract, a change in authorizers is allowed. The authorizer and the school board must jointly submit a written and signed letter of their intent to the commissioner to mutually not renew the contract. The authorizer that is a party to the existing contract must inform the proposed authorizer about the fiscal, operational, and student performance status of the school, as well as any outstanding contractual obligations ~~that exist~~. The charter contract between the proposed authorizer and the school must identify and provide a plan to address any outstanding obligations from the previous contract. The proposed authorizer and the charter school board of directors must submit the proposed contract ~~must be submitted~~ at least 105 business days before the end of the existing charter contract. The commissioner ~~shall have~~ has 30 business days to review and make a determination on the change in authorizer. The proposed authorizer and the school ~~shall have~~ 15 business days to respond to the determination and address any issues identified by the commissioner. ~~A final determination by~~ The commissioner ~~shall be made~~ must make a final determination no later than 45 business days before the end of the current charter contract. ~~If no~~ the commissioner does not approve a change in authorizer is approved, the school and the current authorizer may withdraw their letter of nonrenewal and enter into a new contract. ~~If the transfer of commissioner does not approve a change in authorizers is not approved~~ and the current authorizer and the school do not withdraw their letter and enter into a new contract, the school must be dissolved according to applicable law and the terms of the contract.

Subd. 6. **Pupil enrollment upon nonrenewal or termination of charter school contract.** (a) If a contract is not renewed or is terminated according to subdivision 4 or 5, a pupil who attended the school, siblings of the pupil, or another pupil who resides ~~in the same place as~~ with the pupil may enroll in the resident district or may submit an application to a nonresident district according to section 124D.03 governing open enrollment at any time. Applications and notices required by section 124D.03 must be processed and provided in a prompt manner. The application and notice deadlines in section 124D.03 do not apply under these circumstances.

(b) Within ten business days of closing the charter school, the closed ~~charter~~ school must transfer the student's educational records ~~within ten business days of closure~~ to the student's school district of residence where the records must be retained or transferred under section 120A.22, subdivision 7.

21.1 Sec. 9. Minnesota Statutes 2015 Supplement, section 124E.12, is amended to read:

21.2 **124E.12 EMPLOYMENT.**

21.3 Subdivision 1. **Teachers.** A charter school must employ or contract with necessary  
21.4 teachers, as defined by section 122A.15, subdivision 1, who hold ~~valid~~ current licenses  
21.5 to perform the particular service for which they are employed in the school. The  
21.6 commissioner may reduce the charter school's state aid ~~may be reduced~~ under section  
21.7 127A.43 if the school employs a teacher who is not appropriately licensed or approved by  
21.8 the board of teaching. The school may employ necessary employees who are not required  
21.9 to hold teaching licenses to perform duties other than teaching and may contract for other  
21.10 services. The school may discharge teachers and nonlicensed employees. The charter  
21.11 school board is subject to section 181.932 governing whistle-blowers. When offering  
21.12 employment to a prospective employee, a charter school must give that employee a written  
21.13 description of the terms and conditions of employment and the school's personnel policies.

21.14 Subd. 2. **Administrators.** (a) A person, without holding a ~~valid~~ current  
21.15 administrator's license, may perform administrative, supervisory, or instructional  
21.16 leadership duties. The board of directors shall establish qualifications for persons ~~that~~ who  
21.17 hold administrative, supervisory, or instructional leadership roles. The qualifications shall  
21.18 ~~include~~ cover at least ~~the following areas~~: instruction and assessment; human resource  
21.19 and personnel management; financial management; legal and compliance management;  
21.20 effective communication; and board, authorizer, and community relationships. The board  
21.21 of directors shall use those qualifications as the basis for job descriptions, hiring, and  
21.22 performance evaluations of those who hold administrative, supervisory, or instructional  
21.23 leadership roles.

21.24 (b) The board of directors and an individual who does not hold a ~~valid~~ current  
21.25 administrative license and who serves in an administrative, supervisory, or instructional  
21.26 leadership position shall develop a professional development plan. ~~Documentation of the~~  
21.27 ~~implementation of~~ The school's annual report must include public personnel information  
21.28 documenting the professional development plan of these persons shall be included in  
21.29 ~~the school's annual report.~~

21.30 Subd. 3. **Collective bargaining.** Employees of the board of directors of a charter  
21.31 school may, if otherwise eligible, organize under chapter 179A and comply with its  
21.32 provisions. The board of directors of a charter school is a public employer, for the  
21.33 purposes of chapter 179A, ~~upon formation of~~ when forming one or more bargaining units  
21.34 at the school. Bargaining units at the school must be separate from any other units within  
21.35 an authorizing district, except that bargaining units may remain part of the appropriate  
21.36 unit within an authorizing district; if the employees of the school, the board of directors of

22.1 the school, the exclusive representative of the appropriate unit in the authorizing district,  
22.2 and the board of the authorizing district agree to include the employees in the appropriate  
22.3 unit of the authorizing district. The board of directors of a charter school with employees  
22.4 organized under this subdivision must comply with sections 471.6161 governing group  
22.5 insurance and 471.895 governing gifts.

22.6 Subd. 4. **Teacher and other employee retirement.** (a) Teachers in a charter school  
22.7 must be public school teachers for the purposes of chapters 354 and 354A governing the  
22.8 Teacher Retirement Act.

22.9 (b) Except for teachers under paragraph (a), employees in a charter school must  
22.10 be public employees for the purposes of chapter 353 governing the Public Employees  
22.11 Retirement Act.

22.12 Subd. 5. **Group health insurance.** (a) A charter school board with at least 25  
22.13 employees or a teacher cooperative of licensed teachers providing instruction under  
22.14 a contract between a school and a cooperative that provides group health insurance  
22.15 coverage shall:

22.16 (1) request proposals for group health insurance coverage from a minimum of three  
22.17 sources at least every two years; and

22.18 (2) notify employees covered by the group health insurance coverage before the  
22.19 effective date of the changes in the group coverage policy contract.

22.20 (b) A charter school board or a cooperative of teachers that provides group health  
22.21 insurance coverage must establish and publish on its Web site the policy for ~~the purchase~~  
22.22 ~~of purchasing~~ group health insurance coverage. A charter school board policy must  
22.23 include a sealed proposal process, which requires all proposals to be opened at the same  
22.24 time. Upon ~~the openings of~~ opening the proposals ~~in accordance with~~ according to the  
22.25 school or cooperative policy, the proposals become public data under chapter 13.

22.26 Nothing in this subdivision supersedes the right of an exclusive representative to negotiate  
22.27 ~~over the~~ terms and conditions of employment.

22.28 Subd. 6. **Leave to teach in a charter school.** If a teacher employed by a district  
22.29 makes a written request for an extended leave of absence to teach at a charter school, the  
22.30 district must grant the leave. The district must grant a leave not to exceed a total of five  
22.31 years. Any request to extend the leave shall be granted only at the discretion of the school  
22.32 board. The district may require ~~that a teacher to make~~ the request for a leave or extension  
22.33 of leave ~~be made~~ before February 1 in the school year preceding the school year in which  
22.34 the teacher intends to leave, or February 1 of the calendar year in which the teacher's leave  
22.35 is scheduled to terminate. Except as otherwise provided in this subdivision and except  
22.36 for section 122A.46, subdivision 7, governing employment in another district, the leave

23.1 is governed by section 122A.46, including, but not limited to, reinstatement, notice of  
 23.2 intention to return, seniority, salary, and insurance.

23.3 During a leave, the teacher may continue to aggregate benefits and credits in the  
 23.4 Teachers' Retirement Association account under chapters 354 and 354A, consistent with  
 23.5 subdivision 4.

23.6 Sec. 10. Minnesota Statutes 2015 Supplement, section 124E.13, is amended to read:

23.7 **124E.13 FACILITIES.**

23.8 Subdivision 1. **Leased space.** A charter school may lease space from: an  
 23.9 independent or special school board; other public organization; private, nonprofit,  
 23.10 nonsectarian organization; private property owner; or a sectarian organization if the  
 23.11 leased space is constructed as a school facility. The ~~department~~ commissioner must  
 23.12 review and approve or disapprove leases in a timely manner ~~for purposes of determining~~  
 23.13 to determine eligibility for lease aid under section 124E.22.

23.14 Subd. 2. **Related party lease costs.** (a) A charter school ~~is prohibited from entering~~  
 23.15 must not enter into a lease of real property with a related party unless the lessor is a  
 23.16 nonprofit corporation under chapter 317A or a cooperative under chapter 308A, and the  
 23.17 lease cost is reasonable under section 124E.22, paragraph (a), clause (1).

23.18 (b) ~~A lease of real property to be used for a charter school, not excluded in related~~  
 23.19 party permitted to enter into a lease under paragraph (a); must contain include the  
 23.20 following statement in the lease: "This lease is subject to Minnesota Statutes, section  
 23.21 124E.13, subdivision 2."

23.22 (c) If a charter school ~~enters into as lessee a lease with~~ leases space from a related  
 23.23 party and the charter school subsequently closes, the commissioner has the right to recover  
 23.24 from the ~~lessor~~ related party any lease payments in excess of those that are reasonable  
 23.25 under section 124E.22, paragraph (a), clause (1).

23.26 Subd. 3. **Affiliated nonprofit building corporation.** (a) An affiliated nonprofit  
 23.27 building corporation may purchase, expand, or renovate an existing facility to serve as a  
 23.28 school or may construct a new school facility. A charter school may organize an affiliated  
 23.29 nonprofit building corporation ~~(1) to purchase, expand, or renovate an existing facility to~~  
 23.30 ~~serve as a school or (2) to construct a new school facility~~ if the charter school:

23.31 (i) ~~(1) has been in operation~~ operated for at least six consecutive years;

23.32 (ii) ~~(2)~~ as of June 30, has a net positive unreserved general fund balance in the  
 23.33 preceding three fiscal years;

23.34 (iii) ~~(3)~~ has long-range strategic and financial plans that include enrollment  
 23.35 projections for at least five years;

24.1 ~~(iv) (4)~~ completes a feasibility study of facility options that outlines the benefits  
 24.2 and costs of ~~the options~~ each option; and

24.3 ~~(v) (5)~~ has a plan for ~~purchase, renovation, or new construction which~~ that describes  
 24.4 project parameters and budget.

24.5 (b) An affiliated nonprofit building corporation under this subdivision must:

24.6 (1) be incorporated under section 317A;

24.7 (2) comply with applicable Internal Revenue Service regulations, including  
 24.8 regulations for "supporting organizations" as defined by the Internal Revenue Service;

24.9 (3) post on the school Web site the name, mailing address, bylaws, minutes of board  
 24.10 meetings, and the names of the current board of directors of the affiliated nonprofit  
 24.11 building corporation;

24.12 (4) submit to the commissioner a copy of its annual audit by December 31 of each  
 24.13 year; and

24.14 (5) comply with government data practices law under chapter 13.

24.15 (c) An affiliated nonprofit building corporation must not serve as the leasing agent  
 24.16 for property or facilities it does not own. A charter school that leases a facility from an  
 24.17 affiliated nonprofit building corporation that does not own the leased facility is ineligible  
 24.18 to receive charter school lease aid. The state is immune from liability resulting from a  
 24.19 contract between a charter school and an affiliated nonprofit building corporation.

24.20 ~~(d) Once an affiliated nonprofit building corporation is incorporated under this~~  
 24.21 ~~subdivision, The board of directors of the charter school must ensure the affiliated~~  
 24.22 ~~nonprofit building corporation complies with all applicable legal requirements. The charter~~  
 24.23 ~~school's authorizer of the school must oversee the efforts of the school's board of directors~~  
 24.24 ~~of the charter school to ensure the affiliated nonprofit building corporation complies~~  
 24.25 ~~with all legal requirements governing the affiliated nonprofit building corporation legal~~  
 24.26 ~~compliance of the affiliated building corporation. A school's board of directors that~~  
 24.27 ~~fails to ensure the affiliated nonprofit building corporation's compliance violates its~~  
 24.28 ~~responsibilities and an authorizer must factor the~~ consider that ~~failure into the authorizer's~~  
 24.29 ~~evaluation of when evaluating the charter school.~~

24.30 Subd. 4. **Positive review and comment.** If the amount of a purchase agreement or  
 24.31 construction contract exceeds the threshold specified in section 123B.71, subdivision 8,  
 24.32 for a school district without an outstanding capital loan, a charter school or its affiliated  
 24.33 nonprofit building corporation must receive a positive review and comment from the  
 24.34 commissioner before initiating any purchase agreement or construction contract ~~that~~  
 24.35 ~~requires an expenditure in excess of the threshold specified in section 123B.71, subdivision~~  
 24.36 ~~8, for school districts that do not have a capital loan outstanding. Without a positive review~~

25.1 and comment from the commissioner, a purchase agreement or construction contract  
 25.2 ~~finalized before a positive review and comment~~ under this subdivision is null and void.

25.3 Sec. 11. Minnesota Statutes 2015 Supplement, section 124E.15, is amended to read:

25.4 **124E.15 TRANSPORTATION.**

25.5 (a) A charter school must comply with all pupil transportation requirements in  
 25.6 section 123B.88, subdivision 1. A charter school must not require parents to surrender  
 25.7 their rights to pupil transportation under section 123B.88, subdivision 2.

25.8 (b) ~~A charter school after its first fiscal year of operation by March 1 of each fiscal~~  
 25.9 ~~year and A charter school by July 1 of its first fiscal year of operation~~ must notify the  
 25.10 district in which the school is located and the ~~Department of Education~~ commissioner by  
 25.11 July 1 of its first fiscal year of operation if it will provide its own transportation or use the  
 25.12 transportation services of the district in which it is located ~~for the fiscal year. For each~~  
 25.13 subsequent year of operation, a charter school must give that district and the commissioner  
 25.14 notice by March 1 for the following fiscal year.

25.15 (c) If a charter school elects to provide transportation for pupils, the charter school  
 25.16 must provide the transportation ~~must be provided by the charter school~~ within the district  
 25.17 in which the charter school is located. The state must pay transportation aid to the charter  
 25.18 school according to section 124E.23.

25.19 (d) For pupils who reside outside the district in which the charter school is located,  
 25.20 the charter school is not required to provide or pay for transportation between the pupil's  
 25.21 residence and the border of the district in which the charter school is located. The charter  
 25.22 school may reimburse a parent ~~may be reimbursed by the charter school~~ for costs of  
 25.23 transportation from the pupil's residence to the border of the district in which the charter  
 25.24 school is located if the pupil is from a family whose income is at or below the poverty  
 25.25 level, as determined by the federal government. The reimbursement may not exceed  
 25.26 the pupil's actual cost of transportation or 15 cents per mile traveled, whichever is less.  
 25.27 Reimbursement may not be paid for more than 250 miles per week.

25.28 ~~At the time a pupil enrolls in a charter school, the charter school must provide the~~  
 25.29 ~~parent or guardian with information regarding the transportation.~~

25.30 ~~(d)~~ (e) If a charter school does not elect to provide transportation, the district in which  
 25.31 the school is located must provide transportation for pupils enrolled at the school must  
 25.32 ~~be provided by the district in which the school is located~~, according to sections 123B.88,  
 25.33 subdivision 6, governing transporting nonresident pupils, and 124D.03, subdivision 8, for  
 25.34 a pupil residing in the same district in which the charter school is located. The district in  
 25.35 which the charter school is located may provide transportation ~~may be provided by the~~

~~district in which the school is located~~, according to sections 123B.88, subdivision 6, and 124D.03, subdivision 8, governing open enrollment transportation, for a pupil residing in a different district. If the district provides the transportation, the scheduling of routes, manner and method of transportation, control and discipline of the pupils, and any other matter relating to the transportation of pupils under this paragraph ~~shall be~~ is within the sole discretion, control, and management of the district.

(f) The charter school must provide the parent or guardian with information about transportation when a pupil enrolls.

Sec. 12. Minnesota Statutes 2015 Supplement, section 124E.16, is amended to read:

**124E.16 REPORTS.**

Subdivision 1. **Audit report.** (a) A charter school is subject to the same financial audits, audit procedures, and audit requirements as a district, except as required under this subdivision. Audits must be conducted in compliance with generally accepted governmental auditing standards, the federal Single Audit Act, if applicable, and section 6.65 governing auditing procedures. A charter school is subject to and must comply with sections 15.054; 118A.01; 118A.02; 118A.03; 118A.04; 118A.05; 118A.06; governing government property and financial investments; and sections 471.38; 471.391; 471.392; and 471.425 governing municipal contracting. The audit must comply with the requirements of sections 123B.75 to 123B.83 governing school district finance, except ~~to the extent deviations are necessary because of the program at the school when the commissioner and authorizer approve a deviation made necessary because of school program finances~~. ~~Deviations must be approved by the commissioner and authorizer.~~ The ~~Department of Education~~ commissioner, state auditor, legislative auditor, or authorizer may conduct financial, program, or compliance audits. A charter school ~~determined to be~~ in statutory operating debt under sections 123B.81 to 123B.83 must submit a plan under section 123B.81, subdivision 4.

(b) The charter school must submit an audit report to the commissioner and its authorizer annually by December 31 ~~each year~~.

(c) The charter school, with the assistance of the auditor conducting the audit, must include with the report, as supplemental information;: (1) a copy of management agreements with a charter management organization or an educational management organization and (2) service agreements or contracts over the lesser of \$100,000 or ten percent of the school's most recent annual audited expenditures. The agreements must detail the terms of the agreement, including the services provided and the annual costs for those services. If the entity that provides the professional services to the charter school is

27.1 exempt from taxation under section 501 of the Internal Revenue Code of 1986, that entity  
27.2 must file with the commissioner by February 15 a copy of the annual return required under  
27.3 section 6033 of the Internal Revenue Code of 1986.

27.4 (d) A charter school independent audit report shall include audited financial data  
27.5 of an affiliated building corporation under section 124E.13, subdivision 3, or other  
27.6 component unit.

27.7 (e) If the audit report finds that a material weakness exists in the financial reporting  
27.8 systems of a charter school, the charter school must submit a written report to the  
27.9 commissioner explaining how the charter school will resolve that material weakness ~~will~~  
27.10 ~~be resolved~~. An auditor, as a condition of providing financial services to a charter school,  
27.11 must agree to make available information about a charter school's financial audit to the  
27.12 commissioner and authorizer upon request.

27.13 Subd. 2. **Annual public reports.** (a) A charter school must publish an annual report  
27.14 approved by the board of directors. The annual report must at least include information  
27.15 on school enrollment, student attrition, governance and management, staffing, finances,  
27.16 academic performance, innovative practices and implementation, and future plans. A  
27.17 charter school may combine this report with the reporting required under section 120B.11  
27.18 governing the world's best workforce. A charter school must post the annual report on  
27.19 the school's official Web site. A charter school also must ~~also~~ distribute the annual report  
27.20 by publication, mail, or electronic means to its authorizer, school employees, and parents  
27.21 and legal guardians of students enrolled in the charter school. The reports are public  
27.22 data under chapter 13.

27.23 (b) The commissioner shall establish specifications for an authorizer's annual public  
27.24 report that is part of the system to evaluate authorizer performance under section 124E.05,  
27.25 subdivision 5. The report shall at least include key indicators of school academic,  
27.26 operational, and financial performance.

27.27 Sec. 13. Minnesota Statutes 2015 Supplement, section 124E.17, is amended to read:

27.28 **124E.17 DISSEMINATION OF INFORMATION.**

27.29 Subdivision 1. **Charter school information.** (a) ~~Authorizers and the department~~  
27.30 ~~must disseminate information to the public on how to form and operate a charter school.~~  
27.31 Charter schools must disseminate information about how to use the charter school  
27.32 ~~offerings of a charter school~~ to targeted groups, among others. Targeted groups include  
27.33 low-income families and communities, students of color, and students who are at risk  
27.34 of academic failure.

(b) Authorizers and the commissioner must disseminate information to the public on how to form and operate a charter school. Authorizers, operators, and the ~~department commissioner~~ also may disseminate information to interested stakeholders about the successful best practices in teaching and learning demonstrated by charter schools.

Subd. 2. **Financial information.** Upon request of an individual, the charter school must ~~also~~ make available in a timely fashion financial statements showing all operations and transactions affecting the school's income, surplus, and deficit during the ~~school's~~ last annual accounting period; and a balance sheet summarizing assets and liabilities on the closing date of the accounting period. A charter school also must include that same information about its authorizer in other school materials that it makes available to the public.

Sec. 14. Minnesota Statutes 2015 Supplement, section 124E.22, is amended to read:

**124E.22 BUILDING LEASE AID.**

(a) When a charter school finds it economically advantageous to rent or lease a building or land for any instructional ~~purposes~~ purpose and it determines that the total operating capital revenue under section 126C.10, subdivision 13, is insufficient for this purpose, it may apply to the commissioner for building lease aid ~~for this purpose~~. The commissioner must review and either approve or deny a lease aid application using the following criteria:

- (1) the reasonableness of the price based on current market values;
- (2) the extent to which the lease conforms to applicable state laws and rules; and
- (3) the appropriateness of the proposed lease in the context of the space needs and financial circumstances of the charter school. The commissioner must approve aid only for a facility lease that has (i) a sum certain annual cost and (ii) a closure clause to relieve the charter school of its lease obligations at the time the charter contract is terminated or not renewed; ~~the~~ The closure clause under item (ii) must not be constructed or construed to relieve the charter school of its lease obligations in effect before the charter contract is terminated or not renewed.

(b) A charter school must not use the building lease aid it receives for custodial, maintenance service, utility, or other operating costs.

~~(b)~~ (c) The amount of annual building lease aid for a charter school shall not exceed the lesser of (1) 90 percent of the approved cost or (2) the product of the pupil units served for the current school year times \$1,314.

Sec. 15. Minnesota Statutes 2015 Supplement, section 124E.24, is amended to read:

**124E.24 OTHER AID, GRANTS, AND REVENUE.**

(a) A charter school is eligible to receive other aids, grants, and revenue according to chapters 120A to 129C, as though it were a district.

(b) Notwithstanding paragraph (a), a charter school may not receive aid, a grant, or revenue if a levy is required to obtain the money, or if the aid, grant, or revenue replaces levy revenue that is not general education revenue, except as otherwise provided in this chapter.

(c) Federal aid received by the state must be paid to the school, if it qualifies for the aid, as though it were a school district.

(d) A charter school may receive money from any source for capital facilities needs. In the year-end report to the commissioner of education, the charter school shall report the total amount of funds it received from grants and other outside sources.

Sec. 16. Minnesota Statutes 2015 Supplement, section 124E.25, is amended to read:

**124E.25 PAYMENT OF AIDS TO CHARTER SCHOOLS.**

Subdivision 1. **Payments.** (a) Notwithstanding section 127A.45, subdivision 3, if the current year aid payment percentage under section 127A.45, subdivision 2, paragraph (d), is 90 or greater, aid payments for the current fiscal year to a charter school shall be of an equal amount on each of the 24 payment dates. Notwithstanding section 127A.45, subdivision 3, if the current year aid payment percentage under section 127A.45, subdivision 2, paragraph (d), is less than 90, aid payments for the current fiscal year to a charter school shall be of an equal amount on each of the 16 payment dates in July through February.

Subd. 1a. **School closures; payments.** (b) (a) Notwithstanding ~~paragraph (a)~~ subdivision 1 and section 127A.45, for a charter school ceasing operation on or ~~prior~~ to before June 30 of a school year, for the payment periods occurring after the school ceases serving students, the commissioner shall withhold the estimated state aid owed the school. The charter school board of directors and authorizer must submit to the commissioner a closure plan under chapter 308A or 317A, and financial information about the school's liabilities and assets. After receiving the closure plan, financial information, an audit of pupil counts, ~~documentation of~~ and documented lease expenditures; ~~from the charter school~~ and monitoring of special education expenditures, the commissioner may release cash withheld and may continue regular payments up to the current year payment percentages if further amounts are owed. If, based on audits and monitoring, the school received state aid in excess of the amount owed, the commissioner shall retain aid withheld sufficient to eliminate the aid overpayment.

(b) For a charter school ceasing operations ~~prior to, before~~ or at the end of, a school year, notwithstanding section 127A.45, subdivision 3, the commissioner may make preliminary final payments may be made after receiving the school submits the closure plan, an audit of pupil counts, monitoring of special education expenditures, documentation of documented lease expenditures, and school submission of Uniform Financial Accounting and Reporting Standards (UFARS) financial data and the commissioner monitors special education expenditures for the final year of operation. The commissioner may make the final payment may be made upon receipt of after receiving audited financial statements under section 123B.77, subdivision 3.

(c) Notwithstanding sections 317A.701 to 317A.791, ~~upon closure of~~ after closing a charter school and ~~satisfaction of~~ satisfying creditors, remaining cash and investment balances remaining shall be returned by the commissioner to the state general fund.

Subd. 2. **Requirements.** (a) ~~In order~~ To receive state aid payments under this section, a charter school in its first three years of operation must submit to the commissioner a school calendar in the form and manner requested by the ~~department~~ commissioner and a quarterly report ~~to the Department of Education~~. The quarterly report must list each student by grade, show the student's start and end dates, if any applicable, ~~with the charter school,~~ and, for any student participating in a learning year program, the report must list the hours and times of learning year activities. The charter school must submit the report must be submitted to the commissioner not more than two weeks after the end of the calendar quarter to the department. The ~~department~~ commissioner must develop a Web-based reporting form for charter schools to use when submitting quarterly enrollment reports.

(b) To receive state aid payments under this section, a charter school in its fourth and subsequent year of operation must submit a school calendar and enrollment information to the ~~department~~ commissioner in the form and manner requested by the ~~department~~ commissioner.

~~(b)~~ (c) A charter school must have a valid, signed contract under section 124E.10, subdivision 1, on file at with the ~~Department of Education~~ commissioner at least 15 days ~~prior to~~ before the date of first payment of state aid for the fiscal year.

~~(e)~~ (d) The commissioner shall compute state aid entitlements ~~shall be computed~~ for a charter school only for the portion of a school year for which it has a valid, signed contract under section 124E.10, subdivision 1.

Subd. 3. **Aid reductions.** (a) The commissioner may reduce a charter school's state aid under section 127A.42 or 127A.43 if the charter school board fails to correct a violation under this chapter.

(b) The commissioner may reduce a charter school's state aid by an amount not to exceed 60 percent of the charter school's basic revenue for the period of time ~~that a violation of law occurs~~ was violated.

Subd. 4. **Aid withholding.** (a) If a charter school fails to comply with the commissioner's directive to return, for cause, federal or state funds administered by the department, the commissioner may withhold an amount of state aid sufficient to satisfy the directive.

(b) ~~If, within the timeline under section 471.425, after receiving an undisputed invoice for goods and services, a charter school fails to pay the state of Minnesota, a school district, intermediate school district, or service cooperative after receiving an undisputed invoice for goods and services within the timeline under section 471.425,~~ the commissioner may withhold an amount of state aid sufficient to satisfy the claim and shall distribute the withheld aid to the interested state agency, school district, intermediate school district, or service cooperative. An interested state agency, school district, intermediate school district, or education cooperative shall notify the commissioner when a charter school fails to pay an undisputed invoice within 75 business days of when it received the original invoice.

Sec. 17. Minnesota Statutes 2015 Supplement, section 124E.26, is amended to read:

**124E.26 USE OF STATE MONEY.**

~~Money received from the state may not be used~~ A charter school may not use state money to purchase land or buildings. The charter school may own use nonstate sources to purchase land and buildings if obtained through nonstate sources.

Sec. 18. **SUPERSEDING ACTS.**

Any amendments or repeals enacted in the 2016 session of the legislature to sections also amended or repealed in this act supersede the amendments in this act regardless of order of enactment.