A bill for an act

relating to education finance; creating an option for a school district-sponsored collaborative charter school designed to enhance student achievement; proposing coding for new law in Minnesota Statutes, chapter 124D.

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

Section 1. **[124D.105] COLLABORATIVE CHARTER SCHOOL.**

Subdivision 1. **Creation.** The board of directors of an independent or special school district may create and sponsor a collaborative charter school according to the provisions of this section. The board is subject to the requirements for charter school authorizers under section 124D.10.

Subd. 2. **Formation of school.** (a) A school board intending to form a collaborative charter school must adopt a written resolution authorizing the formation of the school. The school may be formed either by: (1) adopting a memorandum of understanding from the exclusive bargaining representative of the district's teachers regarding the employment status of teachers at the collaborative charter school; or (2) contracting with a party otherwise eligible to be a sponsor or a charter school under section 124D.10. A district may form a voluntary collaborative partnership with a charter school that is currently authorized by another authorizer.

(b) The school must be organized and operated as a cooperative under chapter 308A or nonprofit corporation under chapter 317A and the provisions under the applicable chapter shall apply to the school except as provided in this section. Notwithstanding sections 465.717 and 465.719, a school district subject to this section may create a corporation for the purpose of establishing a collaborative charter school.

Subd. 3. **Conflict of interest.** (a) An individual is prohibited from serving as a member of the collaborative charter school board of directors if the individual, an immediate family member, or the individual's partner is an owner, employee, or agent of or a contractor with a for-profit or nonprofit entity with whom the collaborative charter school contracts, directly or indirectly, for professional services, goods, or facilities. A violation of this prohibition renders a contract voidable at the option of the commissioner or the collaborative charter school board of directors. A member of a collaborative charter school board of directors who violates this prohibition is individually liable to the collaborative charter school for any damage caused by the violation.

(b) No member of the board of directors, employee, officer, or agent of a collaborative charter school shall participate in selecting, awarding, or administering a contract if a conflict of interest exists. A conflict exists when:

(1) the board member, employee, officer, or agent;

(2) the immediate family of the board member, employee, officer, or agent;

(3) a partner of the board member, employee, officer, or agent; or

(4) an organization that employs, or is about to employ, any individual in clauses (1) to (3), has a financial or other interest in the entity with which the collaborative charter school is contracting. A violation of this prohibition renders the contract void.

(c) Any employee, agent, or board member of the authorizer who participates in the initial review, approval, ongoing oversight, evaluation, or the collaborative charter renewal or nonrenewal process or decision is ineligible to serve on the board of directors of a school chartered by that authorizer.

(d) The conflict of interest provisions under this subdivision do not apply to compensation paid to a teacher employed by the collaborative charter school who also serves as a member of the board of directors.

(e) The conflict of interest provisions under this subdivision do not apply to a teacher who provides services to a collaborative charter school through a cooperative formed under chapter 308A when the teacher also serves on the collaborative charter school board of directors.

Subd. 4. **Conversion of existing schools.** (a) A board of an independent or special school district may convert one or more of its existing schools to collaborative charter schools under this section 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.

(b) The board of directors of a school district that is an approved charter school authorizer must not require a charter school that it has authorized to become a collaborative

charter school under this section or otherwise condition the charter school's reauthorization on the provisions of this section.

Subd. 5. **Charter contract.** The authorization for a collaborative charter school must be in the form of a written contract signed by the authorizer and the board of directors of the collaborative charter school. The contract must be completed within 45 business days of the adoption of the school board resolution. The authorizer shall submit to the commissioner a copy of the signed collaborative charter contract within ten business days of its execution. The contract for a collaborative charter school must be in writing and contain at least the following:

(1) a declaration of the purposes that the school intends to carry out and how the school will report its implementation of those purposes;

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

(3) a statement of admission policies and procedures;

(4) a governance, management, and administration plan for the school;

(5) signed agreements from collaborative charter school board members to comply with all federal and state laws governing organizational, programmatic, and financial requirements applicable to collaborative charter schools;

(6) the criteria, processes, and procedures that the authorizer will use for ongoing oversight of operational, financial, and academic performance;

(7) the performance evaluation that is a prerequisite for reviewing a charter contract under subdivision 25;

(8) types and amounts of insurance liability coverage to be obtained by the collaborative charter school;

(9) the term of the contract, which may be up to three years for an initial contract plus an additional preoperational planning year, and up to five years for a renewed contract if warranted by the school's academic, financial, and operational performance;

(10) how the board of directors or the operators of the collaborative 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 collaborative charter school will operate to provide the special instruction and services to children with a disability;

(11) the process and criteria the authorizer intends to use to monitor and evaluate the fiscal and student performance of the collaborative charter school, consistent with subdivision 25; and

(12) the plan for an orderly closing of the school under chapter 308A or 317A, if the closure is a termination for cause, a voluntary termination, or a nonrenewal of the contract, and that includes establishing the responsibilities of the school board of directors and the authorizer and notifying the commissioner, authorizer, school district in which the collaborative charter school is located, and parents of enrolled students about the closure, the transfer of student records to students' resident districts, and procedures for closing financial operations.

Subd. 6. **Location.** A collaborative charter school must be located within the geographic boundaries of the sponsoring school district of a collaborative school formed through a memorandum of understanding.

Subd. 7. **Governance.** A collaborative charter school formed through a memorandum of understanding must be governed by a board of directors composed of at least five members. The collaborative charter school board meetings must comply with chapter 13D.

Subd. 8. **Governance of collaborative charter school formed under contract.** A collaborative charter school formed under contract with a collaborative charter school authorizer must be governed according to the provisions specified in the contract, and the meetings of the collaborative charter school board must comply with chapter 13D.

Subd. 9. **Finances.** A collaborative charter school's pupils must be included in the school district's count of pupils under chapter 126C. The pupils generate funding in the same manner as all other pupils in the school district. In addition, a collaborative charter school qualifies for charter school lease aid and startup aid under section 124D.11, subdivisions 4 and 8.

Subd. 10. **Audit report.** (a) The collaborative charter school must submit an audit report to the commissioner and its authorizer by December 31 each year.

(b) The collaborative charter school, with the assistance of the auditor conducting the audit, must include with the report a copy of all collaborative charter school agreements for corporate management services. If the entity that provides the professional services to the collaborative charter school is exempt from taxation under section 501 of the Internal Revenue Code of 1986, that entity must file with the commissioner and authorizer by February 15 a copy of the annual return required under section 6033 of the Internal Revenue Code of 1986.

(c) If the commissioner and authorizer receive an audit report indicating that a material weakness exists in the financial reporting systems of a collaborative charter school, the collaborative charter school must submit a written report to the commissioner explaining how the material weakness will be resolved.

Subd. 11. **Length of contract.** The contract between a sponsoring school board and a collaborative charter school may not exceed five years. The contract may be renewed at any time.

Subd. 12. **Contract requirements.** The contract between the sponsoring school board and the collaborative charter school must be in writing and must contain at least:

(1) a declaration of the school's purpose;

(2) a description of the program and its expected student outcomes;

(3) a statement of the school's admissions policies and procedures;

(4) a description of the governance, management, and administration of the school;

(5) signatures from the collaborative charter school board members agreeing to comply with all federal and state laws governing organizational, programmatic, and financial requirements applicable to charter schools;

(6) requirements for oversight of operational, financial, and academic performance;

(7) a description of the performance evaluation used to measure the academic progress at the school;

(8) a description of the services that the collaborative charter school intends to purchase from the sponsoring school district;

(9) a description of how the collaborative charter school will provide special instruction to students with a disability;

(10) a plan to measure the fiscal performance of the school;

(11) a plan for the orderly closing of the collaborative charter school if the closure is a termination for cause, voluntary termination, or for nonrenewal of contract; and

(12) a description of the status of teachers at the school.

Subd. 13. **Public status.** A collaborative charter school is a public school and is part of the state's system of public education.

Subd. 14. **State and local requirements.** A collaborative charter school must meet all of the requirements in section 124D.10, subdivision 8.

Subd. 15. **Aid reduction.** The commissioner may reduce a collaborative charter school's state aid under section 127A.42 or 127A.43 if the collaborative charter school board fails to correct a violation under this section.

Subd. 16. **Aid reduction for violations.** The commissioner may reduce a collaborative charter school's state aid by an amount not to exceed 60 percent of the collaborative charter school's basic revenue for the period of time that a violation of law occurs.

Subd. 17. **Admission requirements.** A collaborative charter school may limit admission to:

(1) pupils within an age group or grade level;

(2) pupils who are eligible to participate in the graduation incentives program under section 124D.68;

(3) residents of a specific geographic area; or

(4) students who previously attended a school restructured under the No Child Left Behind Act.

A collaborative charter school shall enroll an eligible pupil who submits a timely application, unless the number of applications exceeds the capacity of a program, class, grade level, or building. In this case, pupils must be accepted by lot. The collaborative charter school must develop and publish a lottery policy and process that it must use when accepting pupils by lot. A collaborative charter school shall give preference for enrollment to a sibling of an enrolled pupil and to a foster child of that pupil's parents and may give preference for enrolling children of the school's teachers before accepting other pupils by lot. A collaborative charter school may not limit admission to pupils on the basis of intellectual ability, measures of achievement or aptitude, or athletic ability and may not establish any criteria or requirements for admission that are inconsistent with this subdivision. The collaborative charter school shall not distribute any services or goods of value to students, parents, or guardians as an inducement, term, or condition of enrolling a student in a collaborative charter school.

Subd. 18. **Pupil performance.** A collaborative 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, 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. 19. **Employment and other operating matters.** (a) A collaborative charter school must employ or contract with necessary teachers, as defined by section 122A.15, subdivision 1, who hold valid licenses to perform the particular service for which they are employed in the school. The collaborative charter school's state aid may be reduced under section 127A.43 if the school employs a teacher who is not appropriately licensed or approved by the board of teaching. The school may employ necessary employees who are not required to hold teaching licenses to perform duties other than teaching and may contract for other services. The school may discharge teachers and nonlicensed employees. The collaborative charter school board is subject to section 181.932. When offering employment to a prospective employee, a collaborative charter school must

give that employee a written description of the terms and conditions of employment and the school's personnel policies.

(b) A person without a valid administrator's license may perform administrative, supervisory, or instructional leadership duties. The board of directors shall establish qualifications for persons that hold administrative, supervisory, or instructional leadership roles. The qualifications shall include at least the following areas: instruction and assessment; human resource and personnel management; financial management; legal and compliance management; effective communication; and board, authorizer, and community relationships. The board of directors shall use those qualifications as the basis for job descriptions, hiring, and performance evaluations of those who hold administrative, supervisory, or instructional leadership roles. The board of directors and an individual who does not hold a valid administrative license and who serves in an administrative, supervisory, or instructional leadership position shall develop a professional development plan. Documentation of the implementation of the professional development plan of these persons shall be included in the school's annual report.

(c) The board of directors also shall decide matters related to the operation of the school, including budgeting, curriculum, and operating procedures.

Subd. 20. **Employees.** A collaborative charter school must employ or contract with necessary teachers, as defined by section 122A.15, subdivision 1, who hold valid licenses to perform the particular service for which they are employed. If the collaborative charter school is formed through a memorandum of understanding, the teachers' employment and contracts must be in accordance with the memorandum of understanding required under subdivision 2. The collaborative charter school's state aid may be reduced under section 127A.42 if the school employs a teacher who is not appropriately licensed or approved by the Board of Teaching. The school may employ necessary employees who are not required to hold teaching licenses to perform duties other than teaching and may contract for other services. The school may discharge teachers and nonlicensed employees. A person without a valid administrator's license may perform administrative, supervisory, or instructional leadership duties at the collaborative charter school.

Subd. 21. **Operations.** The board of directors of the collaborative charter school shall decide matters related to the operation of the school, including budgeting, curriculum, and operating procedures, subject to the sponsoring agreement and any adopted memoranda of understanding.

Subd. 22. **Pupils with a disability.** A collaborative charter school must comply with sections 125A.02, 125A.03 to 125A.24, and 125A.65 and rules relating to the education of pupils with a disability as if it were a school district.

Subd. 23. **Length of school year.** A collaborative charter school must provide instruction for at least the same amount of time as its sponsoring school district and may provide instruction throughout the school year according to sections 124D.12 to 124D.127 or 124D.128.

Subd. 24. **Annual public reports.** A collaborative charter school must publish an annual report approved by the board of directors. The annual report must at least include information on school enrollment, student attrition, governance and management, staffing, finances, academic performance, operational performance, innovative practices and implementation, and future plans. A collaborative charter school must distribute the annual report by publication, mail, or electronic means to the commissioner, authorizer, school employees, and parents and legal guardians of students enrolled in the collaborative charter school, and must also post the report on the collaborative charter school's official Web site. The reports are public data under chapter 13.

Subd. 25. **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 must review and comment on the authorizer's evaluation process at the time the authorizer submits its application for approval.

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

(c) The fee that each collaborative charter school pays to an authorizer each year 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 collaborative charter school's adjusted marginal cost pupil units for that year. The fee factor equals .005 in fiscal year 2010, .01 in fiscal year 2011, .013 in fiscal year 2012, and .015 in fiscal years 2013 and later. The maximum fee factor equals 1.5 in fiscal year 2010, 2.0 in fiscal year 2011, 3.0 in fiscal year 2012, and 4.0 in fiscal years 2013 and later.

(d) For the preoperational planning period, the authorizer may assess a collaborative charter school a fee equal to the basic formula allowance.

(e) By September 30 of each year, an authorizer shall submit to the commissioner a statement of 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.

Subd. 26. **Transportation.** (a) A collaborative charter school after its first fiscal year of operation by March 1 of each fiscal year, and a collaborative charter school by July 1 of its first fiscal year of operation, must notify the district in which the school is located and the Department of Education if it will provide its own transportation or use the transportation services of the district in which it is located for the fiscal year.

(b) If a collaborative charter school elects to provide transportation for pupils, the transportation must be provided by the collaborative charter school within a geographic zone designated by the school. The state must pay transportation aid to the collaborative charter school according to section 124D.11, subdivision 2. For pupils who reside outside the district in which the collaborative charter school is located, the collaborative charter school is not required to provide or pay for transportation between the pupil's residence and the border of the district in which the collaborative charter school is located. A parent may be reimbursed by the collaborative charter school for costs of transportation from the pupil's residence to the border of the district in which the collaborative charter school is located if the pupil is from a family whose income is at or below the poverty level as determined by the federal government. The reimbursement may not exceed the pupil's actual cost of transportation or 15 cents per mile traveled, whichever is less. Reimbursement may not be paid for more than 250 miles per week. At the time a pupil enrolls in a collaborative charter school, the collaborative charter school must provide the parent or guardian with information regarding the transportation.

(c) If a collaborative charter school does not elect to provide transportation, transportation for pupils enrolled at the school must be provided by the district in which the school is located, according to sections 123B.88, subdivision 6, and 124D.03, subdivision 8, for a pupil residing in the same district in which the collaborative charter school is located. 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, 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 within the sole discretion, control, and management of the district.

Subd. 27. **Leased space.** A collaborative charter school may lease space from an independent or special school board eligible to be an authorizer, other public organization, private, nonprofit nonsectarian organization, private property owner, or a sectarian

organization if the leased space is constructed as a school facility. The department must review and approve or disapprove leases in a timely manner.

Subd. 28. **Disseminate information.** (a) The authorizer, the operators, and the department must disseminate information to the public on how to form and operate a collaborative charter school. Collaborative charter schools must disseminate information about how to use the offerings of a collaborative charter school. Targeted groups include low-income families and communities, students of color, and students who are at risk of academic failure.

(b) Authorizers, operators, and the department also may disseminate information about the successful best practices in teaching and learning demonstrated by collaborative charter schools.

Subd. 29. **Leave to teach in a collaborative charter school.** If a teacher employed by a district makes a written request for an extended leave of absence to teach at a collaborative charter school, the district must grant the leave. The district must grant a leave not to exceed a total of five years. Any request to extend the leave shall be granted only at the discretion of the school board. The district may require that the request for a leave or extension of leave be made before February 1 in the school year preceding the school year in which the teacher intends to leave, or February 1 of the calendar year in which the teacher's leave is scheduled to terminate. Except as otherwise provided in this subdivision and except for section 122A.46, subdivision 7, the leave is governed by section 122A.46, including, but not limited to, reinstatement, notice of intention to return, seniority, salary, and insurance.

During a leave, the teacher may continue to aggregate benefits and credits in the Teachers' Retirement Association account under chapters 354 and 354A, consistent with subdivision 22.

Subd. 30. **Collective bargaining.** Employees of the board of directors of a collaborative charter school may, if otherwise eligible, organize under chapter 179A and comply with its provisions. The board of directors of a collaborative charter school is a public employer, for the purposes of chapter 179A, upon formation of one or more bargaining units at the school. Bargaining units at the school must be separate from any other units within an authorizing district, except that bargaining units may remain part of the appropriate unit within an authorizing district, if the employees of the school, the board of directors of the school, the exclusive representative of the appropriate unit in the authorizing district, and the board of the authorizing district agree to include the employees in the appropriate unit of the authorizing district.

Subd. 31. **Teacher and other employee retirement.** (a) Teachers in a collaborative charter school must be public school teachers for the purposes of chapters 354 and 354A.

(b) Except for teachers under paragraph (a), employees in a collaborative charter school must be public employees for the purposes of chapter 353.

Subd. 32. **Causes for nonrenewal or termination of collaborative charter school contract.** (a) The duration of the contract with an authorizer must be for the term contained in the contract according to subdivision 5. 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 days before not renewing or terminating a contract, the authorizer shall notify the board of directors of the collaborative charter school of the proposed action in writing. The notice shall state the grounds for the proposed action in reasonable detail and that the collaborative charter school's board of directors may request in writing an informal hearing before the authorizer within 15 business days of receiving notice of nonrenewal or termination of the contract. Failure by the board of directors to make a written request for a 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 collaborative 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) A contract may be terminated or not renewed upon any of the following grounds:

(1) failure to meet 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 a contract is terminated or not renewed under this paragraph, the school must be dissolved according to the applicable provisions of chapter 308A or 317A.

(c) If the authorizer and the collaborative charter school board of directors mutually agree to terminate or not renew the contract, a change in authorizers is allowed if the commissioner approves the transfer to a different eligible authorizer to authorize the collaborative charter school. Both parties must jointly submit their intent in writing to the commissioner to mutually terminate the contract. The authorizer that is a party to the existing contract at least must inform the approved different eligible authorizer about the fiscal and operational status and student performance of the school. Before the

commissioner determines whether to approve a transfer of authorizer, the commissioner first must determine whether the collaborative charter school and prospective new authorizer can identify and effectively resolve those circumstances causing the previous authorizer and the collaborative charter school to mutually agree to terminate the contract. If no transfer of authorizer is approved, the school must be dissolved according to applicable law and the terms of the contract.

(d) The commissioner, after providing reasonable notice to the board of directors of a collaborative 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 collaborative charter school board if the collaborative charter school has a history of:

(1) failure to meet pupil performance requirements contained in the contract;

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

(3) repeated or major violations of the law.

Subd. 33. **Related party lease costs.** (a) A collaborative charter school is prohibited from entering a lease of real property with a related party unless the lessor is a nonprofit corporation under chapter 317A or a cooperative under chapter 308A, and the lease cost is reasonable under section 124D.11, subdivision 4, clause (1).

(b) For purposes of this section and section 124D.11:

(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) "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;

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

(4) "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.

(c) A lease of real property to be used for a collaborative charter school, not excluded in paragraph (a), must contain the following statement: "This lease is subject to Minnesota Statutes, section 124D.105, subdivision 33."

(d) If a collaborative charter school enters into, as lessee, a lease with a related party and the collaborative charter school subsequently closes, the commissioner has the right to recover from the lessor any lease payments in excess of those that are reasonable under section 124D.11, subdivision 4, clause (1).

Subd. 34. **Pupil enrollment upon nonrenewal or termination of collaborative charter school contract.** If a contract is not renewed or is terminated according to subdivision 32, a pupil who attended the school, siblings of the pupil, or another pupil who resides in the same place as the pupil may enroll in the resident district or may submit an application to a nonresident district according to section 124D.03 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. The closed collaborative 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.

Subd. 35. **Additional resources.** The board of directors of a school district that authorizes a collaborative charter school under this section may provide additional resources to that charter school in the same manner as any other charter school authorized.

Subd. 36. **Extent of specific legal authority.** (a) The board of directors of a collaborative charter school may sue and be sued.

(b) The board may not levy taxes or issue bonds.

(c) The commissioner, an authorizer, members of the board of an authorizer in their official capacities, and employees of an authorizer are immune from civil or criminal liability with respect to all activities related to a collaborative charter school they approve or authorize. The board of directors shall obtain at least the amount of and types of insurance up to the applicable tort liability limits under chapter 466. The collaborative charter school board must submit a copy of the insurance policy to its authorizer and the commissioner before starting operations. The collaborative charter school board must submit changes in its insurance carrier or policy to its authorizer and the commissioner within 20 business days of the change.

Subd. 37. **Employee retirement.** Teachers employed by a collaborative charter school are public school teachers for purposes of chapters 354 and 354A. Any other employees of a collaborative charter school are public employees for purposes of chapter 353.

Subd. 38. **Purchase of goods and services.** The board of directors of the collaborative charter school may contract for any goods and services, subject to the contract or memorandum of understanding establishing the school.