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State of Minnesota
HOUSE OF REPRESENTATIVES
NINETIETH SESSION

H. F. No. 3305

03/05/2018 Authored by Pryor, Youakim, Applebaum, Anselmo, Rosenthal and others
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 finance; creating a process to combine charter school and
1.3 school district programs; providing continuity in building lease revenue for school
1.4 districts that combine programming with a charter school; amending Minnesota
1.5 Statutes 2016, sections 124E.06, by adding a subdivision; 124E.08; 126C.40,
1.6 subdivision 1; Minnesota Statutes 2017 Supplement, section 124E.22.

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

1.8 Section 1. Minnesota Statutes 2016, section 124E.06, is amended by adding a subdivision
1.9 to read:

1.10 Subd. 8. **Combination.** (a) The boards of a school district and a charter school may
1.11 convert an existing charter school to a school district program by mutually adopting a written
1.12 resolution authorizing the combination. The written resolution must be submitted to the
1.13 charter school's authorizer and the commissioner of education at least eight months prior
1.14 to the beginning of the next school year. The effective date of a combination must be July
1.15 1.

1.16 (b) A charter school that combines with a school district must submit separate year-end
1.17 reports for its last school year of operation.

1.18 (c) The charter school may transfer its fund balances and debts to the school district with
1.19 which it is combining.

1.20 (d) For school aids based on the prior year data, the combined program that was formerly
1.21 the charter school is eligible to receive aid for that site as if the combined program were a
1.22 charter school in its first year of operation.

2.1 (e) The resolution under paragraph (a) may address the future employment rights of the
 2.2 staff employed by the charter school in the year preceding the combination.

2.3 Sec. 2. Minnesota Statutes 2016, section 124E.08, is amended to read:

2.4 **124E.08 CHARTER SCHOOL AND SCHOOL DISTRICT COLLABORATION**
 2.5 **AND COMBINATION.**

2.6 Subdivision 1. Collaboration. (a) A charter school board may voluntarily enter into a
 2.7 two-year, renewable collaboration agreement with a school district in which the charter
 2.8 school is geographically located to enhance the achievement of the students in the district
 2.9 and the students in the charter school.

2.10 A school district does not need to be either an approved authorizer or the authorizer of
 2.11 the charter school to enter into a collaboration agreement under this section.

2.12 A charter school authorizer is prohibited from requiring a collaboration agreement as a
 2.13 condition of entering into or renewing a charter contract as defined in section 124E.10,
 2.14 subdivision 1.

2.15 (b) The collaboration agreement may include, but is not limited to, collaboration regarding
 2.16 facilities, transportation, training, student achievement, assessments, mutual performance
 2.17 standards, and other areas of mutual agreement.

2.18 (c) For purposes of student assessment and reporting to the state under section 120B.36,
 2.19 the school district may include the academic performance of the students of a collaborative
 2.20 charter school site under paragraph (a).

2.21 Districts, authorizers, or charter schools entering into a collaborative agreement are
 2.22 equally and collectively subject to the same state and federal accountability measures for
 2.23 student achievement, school performance outcomes, and school improvement strategies.
 2.24 The collaborative agreement and all accountability measures must be posted on the district,
 2.25 charter school, and authorizer Web sites.

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

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

2.31 Subd. 2. Combination. A charter school board and a school board of the school district
 2.32 in which the charter school is geographically located may voluntarily enter into a combination

3.1 agreement to enhance the achievement of the students in the district and the students in the
3.2 charter school.

3.3 Sec. 3. Minnesota Statutes 2017 Supplement, section 124E.22, is amended to read:

3.4 **124E.22 BUILDING LEASE AID.**

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

3.10 (1) the reasonableness of the price based on current market values;

3.11 (2) the extent to which the lease conforms to applicable state laws and rules; and

3.12 (3) the appropriateness of the proposed lease in the context of the space needs and
3.13 financial circumstances of the charter school. The commissioner must approve aid only for
3.14 a facility lease that has (i) a sum certain annual cost and (ii) a closure clause to relieve the
3.15 charter school of its lease obligations at the time the charter contract is terminated or not
3.16 renewed. The closure clause under item (ii) must not be constructed or construed to relieve
3.17 the charter school of its lease obligations in effect before the charter contract is terminated
3.18 or not renewed.

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

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

3.24 (d) A charter school's building lease aid pupil units equals the sum of the charter school
3.25 pupil units under section 126C.05 and the pupil units for the portion of the day that the
3.26 charter school's enrolled students are participating in the Postsecondary Enrollment Options
3.27 Act under section 124D.09 and not otherwise included in the pupil count under section
3.28 126C.05.

3.29 (e) If a charter school combines with a school district, the school district is eligible for
3.30 charter school lease aid for the first and second year after the combination for the portion
3.31 of the program that was operated by the charter school. The amount of the aid equals the

4.1 actual charter school lease aid paid to the charter school in the year preceding the
4.2 combination.

4.3 Sec. 4. Minnesota Statutes 2016, section 126C.40, subdivision 1, is amended to read:

4.4 Subdivision 1. **To lease building or land.** (a) When an independent or a special school
4.5 district or a group of independent or special school districts finds it economically
4.6 advantageous to rent or lease a building or land for any instructional purposes or for school
4.7 storage or furniture repair, and it determines that the operating capital revenue authorized
4.8 under section 126C.10, subdivision 13, is insufficient for this purpose, it may apply to the
4.9 commissioner for permission to make an additional capital expenditure levy for this purpose.
4.10 An application for permission to levy under this subdivision must contain financial
4.11 justification for the proposed levy, the terms and conditions of the proposed lease, and a
4.12 description of the space to be leased and its proposed use.

4.13 (b) The criteria for approval of applications to levy under this subdivision must include:
4.14 the reasonableness of the price, the appropriateness of the space to the proposed activity,
4.15 the feasibility of transporting pupils to the leased building or land, conformity of the lease
4.16 to the laws and rules of the state of Minnesota, and the appropriateness of the proposed
4.17 lease to the space needs and the financial condition of the district. The commissioner must
4.18 not authorize a levy under this subdivision in an amount greater than the cost to the district
4.19 of renting or leasing a building or land for approved purposes. The proceeds of this levy
4.20 must not be used for custodial or other maintenance services. A district may not levy under
4.21 this subdivision for the purpose of leasing or renting a district-owned building or site to
4.22 itself, except as provided in paragraphs (d) and (e).

4.23 (c) For agreements finalized after July 1, 1997, a district may not levy under this
4.24 subdivision for the purpose of leasing: (1) a newly constructed building used primarily for
4.25 regular kindergarten, elementary, or secondary instruction; or (2) a newly constructed
4.26 building addition or additions used primarily for regular kindergarten, elementary, or
4.27 secondary instruction that contains more than 20 percent of the square footage of the
4.28 previously existing building.

4.29 (d) Notwithstanding paragraph (b), a district may levy under this subdivision for the
4.30 purpose of leasing or renting a district-owned building or site to itself only if the amount is
4.31 needed by the district to make payments required by a lease purchase agreement, installment
4.32 purchase agreement, or other deferred payments agreement authorized by law, and the levy
4.33 meets the requirements of paragraph (c). A levy authorized for a district by the commissioner
4.34 under this paragraph may be in the amount needed by the district to make payments required

5.1 by a lease purchase agreement, installment purchase agreement, or other deferred payments
5.2 agreement authorized by law, provided that any agreement include a provision giving the
5.3 school districts the right to terminate the agreement annually without penalty.

5.4 (e) Notwithstanding paragraph (b), (d), or (f), a district may include in its building lease
5.5 levy in the third, fourth, and fifth years following a combination with a charter school an
5.6 amount equal to the charter school lease aid paid to the charter school in the year prior to
5.7 the year of combination.

5.8 (f) The total levy under this subdivision for a district for any year must not exceed \$212
5.9 times the adjusted pupil units for the fiscal year to which the levy is attributable.

5.10 ~~(g)~~ (g) For agreements for which a review and comment have been submitted to the
5.11 Department of Education after April 1, 1998, the term "instructional purpose" as used in
5.12 this subdivision excludes expenditures on stadiums.

5.13 ~~(g)~~ (h) The commissioner of education may authorize a school district to exceed the
5.14 limit in paragraph ~~(e)~~ (f) if the school district petitions the commissioner for approval. The
5.15 commissioner shall grant approval to a school district to exceed the limit in paragraph ~~(e)~~
5.16 (f) for not more than five years if the district meets the following criteria:

5.17 (1) the school district has been experiencing pupil enrollment growth in the preceding
5.18 five years;

5.19 (2) the purpose of the increased levy is in the long-term public interest;

5.20 (3) the purpose of the increased levy promotes colocation of government services; and

5.21 (4) the purpose of the increased levy is in the long-term interest of the district by avoiding
5.22 over construction of school facilities.

5.23 ~~(h)~~ (i) A school district that is a member of an intermediate school district may include
5.24 in its authority under this section the costs associated with leases of administrative and
5.25 classroom space for intermediate school district programs. This authority must not exceed
5.26 \$65 times the adjusted pupil units of the member districts. This authority is in addition to
5.27 any other authority authorized under this section.

5.28 ~~(i)~~ (j) In addition to the allowable capital levies in paragraph (a), for taxes payable in
5.29 2012 to 2023, a district that is a member of the "Technology and Information Education
5.30 Systems" data processing joint board, that finds it economically advantageous to enter into
5.31 a lease agreement to finance improvements to a building and land for a group of school
5.32 districts or special school districts for staff development purposes, may levy for its portion

6.1 of lease costs attributed to the district within the total levy limit in paragraph ~~(e)~~ (f). The
6.2 total levy authority under this paragraph shall not exceed \$632,000.

6.3 ~~(j)~~ (k) Notwithstanding paragraph (a), a district may levy under this subdivision for the
6.4 purpose of leasing administrative space if the district can demonstrate to the satisfaction of
6.5 the commissioner that the lease cost for the administrative space is no greater than the lease
6.6 cost for instructional space that the district would otherwise lease. The commissioner must
6.7 deny this levy authority unless the district passes a resolution stating its intent to lease
6.8 instructional space under this section if the commissioner does not grant authority under
6.9 this paragraph. The resolution must also certify that the lease cost for administrative space
6.10 under this paragraph is no greater than the lease cost for the district's proposed instructional
6.11 lease.