

SENATE
STATE OF MINNESOTA
NINETIETH SESSION

S.F. No. 1660

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DATE
03/02/2017

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981 Introduction and first reading
Referred to E-12 Policy

OFFICIAL STATUS

1.1 A bill for an act
1.2 relating to education; requiring a trustee to oversee the closure of a charter school;
1.3 amending Minnesota Statutes 2016, section 124E.10, by adding a subdivision.

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

1.5 Section 1. Minnesota Statutes 2016, section 124E.10, is amended by adding a subdivision
1.6 to read:

1.7 Subd. 7. **School closures.** (a) Upon the final decision to close a charter school, whether
1.8 by voluntary action of the charter school's board of directors, nonrenewal or termination of
1.9 the charter contract by the authorizer, or termination of the charter contract by the
1.10 commissioner, the board of directors shall appoint a school closure trustee, approved by the
1.11 authorizer, within 15 business days of the final decision. The board of directors or the
1.12 authorizer may require the trustee to post a bond, in a sum and nature reflective of the
1.13 school's current condition and situation.

1.14 (b) The trustee must be a resident of Minnesota, possess a bachelor's or postgraduate
1.15 degree in accounting, law, nonprofit management, educational administration, or other
1.16 appropriate field, and have at least five years of work experience in the degree area. The
1.17 trustee must submit to a state and federal criminal background check, must not have been
1.18 convicted of a felony or other crime involving moral turpitude, and must not have been
1.19 found liable in a civil court for fraud, breach of fiduciary duty, civil theft, or similar
1.20 misconduct. The trustee must not be under investigation or pending criminal prosecution
1.21 for a felony or other crime. The trustee must not have a history of wage garnishment by the
1.22 Internal Revenue Service or the state and must not have filed for bankruptcy.

2.1 (c) The trustee must not have been an employee or contractor of the charter school during
2.2 the previous five years and must not have an immediate family member who is an employee
2.3 or contractor of the charter school or who serves on the charter school's board of directors.
2.4 The trustee must be independent and have no material interest adverse to the school.

2.5 (d) The trustee shall have the responsibility to activate and execute the closure plan for
2.6 the charter school outlined in the school's charter contract, including the transfer of student
2.7 records required by subdivision 6, and the reporting of financial and student data to the
2.8 department necessary for the release of final aid payments under section 124E.25, subdivision
2.9 1a. Upon the appointment of the trustee, the trustee must approve all school expenditures
2.10 before payment and shall be a required signatory on all school accounts and payments made
2.11 by the school. The trustee has the authority to void and seek reimbursement of any and all
2.12 extraordinary payments of the school to individuals, contractors, or corporations made
2.13 within 90 business days of the final decision to close. If during the closure process it is
2.14 determined by the charter school's board of directors or the authorizer that the trustee is not
2.15 performing the closure duties in an efficient and effective manner, the authorizer may appoint
2.16 a new trustee.

2.17 (e) The trustee shall be entitled to immunity provided by common law for acts or
2.18 omissions within the scope of the trustee's appointment. The trustee is not exempt from an
2.19 illegal or criminal act, nor any act that is a result of malfeasance or misfeasance.

2.20 (f) A charter school closure fund shall be established and managed by the Department
2.21 of Education. The Department of Education may charge the fund a management fee
2.22 commensurate with the annual activity in the fund. The Department of Education must issue
2.23 an annual report on the income and expenditures of the fund by September 30 to the
2.24 commissioner of education and all charter schools. The fund shall be financed by a per
2.25 capita pupil fee paid by all charter schools. Until the fund reaches a cap of \$200,000, the
2.26 per capita pupil fee shall be \$1 per pupil annually. Upon the fund reaching the \$200,000
2.27 cap, the annual per capita pupil fee shall equal the per pupil amount needed to maintain the
2.28 fund at \$200,000. The Department of Education shall have the power to deduct the annual
2.29 fee from a charter school aid payment in the month of February based on the number of
2.30 pupils enrolled in charter schools on October 1 of the previous year, and transfer the funding
2.31 to the charter school closure fund. When an authorizer ceases to authorize schools, the
2.32 authorizer shall transfer any remaining balance from authorizer fees to the fund.

2.33 (g) Funds from the charter school closure fund may only be authorized and used for the
2.34 following expenses: the cost of the external audits necessary for the school closure process;
2.35 the cost of liability insurance for the school corporation during the closure process; legal

3.1 costs for the dissolution of the school corporation; and the trustee's fee, negotiated upon
3.2 appointment. The charter school closure fund shall not be used for any other expenses related
3.3 to the closed school and may only be requested after all other school funds and assets of
3.4 the closed school have been expended. No more than \$70,000 may be expended from the
3.5 fund for an individual school closure process. The trustee may request funding to cover the
3.6 authorized expenditures, except for the trustee's fee, which must be requested by the charter
3.7 school's board of directors or the authorizer if the board of directors is nonoperative.

3.8 (h) If a charter school board of directors files for bankruptcy upon the final decision to
3.9 close the school, the bankruptcy trustee appointed by the bankruptcy court shall have the
3.10 authority to activate and execute the closure plan in the charter school contract.