

CHARTER SCHOOL BUILDINGS

CURRENT SYSTEM

The charter school law * prohibits charter schools from purchasing or building a facility using public funds. The law was amended in 2009 to acknowledge that charters were creating nonprofit affiliated building corporations (ABC) to provide the school a facility. Since the school does not directly own the facility, it is not using public funds to purchase or build a facility.

1 A qualified charter school creates a separate nonprofit (501)(C)(3) support corporation under IRS rules. Support corporations for charter school facility ownership are called Affiliated Building Company (ABC).

2 The ABC purchases or builds a facility (which it owns) for the sole purpose of providing a facility for the school.

3 The school leases the facility from the ABC and uses lease aid to pay the rent, as any other charter school uses lease aid to pay rent.

4 If a school closes and the school nonprofits is dissolved, the ABC nonprofit continues to exist and continues to own the facility.

5 As the sole purpose of an ABC is to provide a facility for the charter school, the ABC must sell the facility it owns after the school closes.

6 If the sale of the facility by the ABC generates any profit, the profit belongs to the ABC.

7 Under MN Non-profit law ** when a nonprofit corporation (in this case the ABC) closes down, any assets (profit from the sale of the facility) must be distributed to other nonprofits – the ABC decides which nonprofit will receive those funds.

*MN Statutes 124E.26

** MN Statutes 317A.701 - 317A.791

PROPOSED SYSTEM

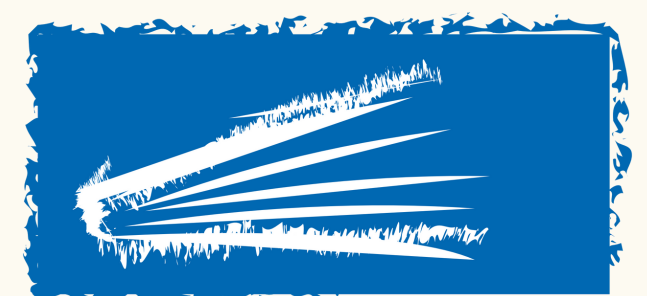
Repeal the prohibition on charter schools using public funds to purchase or build a facility. Allow direct ownership of school facilities by the nonprofit school corporation.

1 A qualified charter school that builds or purchases a facility uses lease / facilities aid to pay for the bonds or mortgage.

2 If a school that owns a facility closes, the school must sell the facility before the school corporation can be dissolved.

3 If the sale of the facility generates any profit, the profit like any other cash or investment balances of the closed school must be returned to the state treasury under the charter school law.

MN Statutes 124E.25 Subd. 1(c)



MN Association of
Charter Schools