



STATE PUBLIC CHARTER SCHOOL AUTHORITY

1749 North Stewart Street Suite 40
Carson City, Nevada 89706-2543
(775) 687 - 9174 · Fax: (775) 687 - 9113

MEMORANDUM

DATE: July 15, 2014

TO: Legislative Committee on Education Attn: Todd Butterworth

FROM: Tom McCormack, Interim Director

SUBJECT: Update of Former Director Canavero's March 14, 2013, Response to Legislative Committee on Education Facilities Report

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The State Public Charter School Authority submits the following report in response to a request made by the Legislative Committee on Education:

Charter School Facilities Report

Goal: To advocate for removal of barriers to adequate and equitable access to public school facilities and financing for Nevada charter schools.

Overview

Access to adequate facilities is a significant barrier to the growth and expansion of quality charter schools. Charter schools in Nevada are not alone in this challenge and much can be learned from how other states have addressed this issue. This report will outline key points related to the present challenge confronting Nevada charter schools and then provide a list of policy tools that other states have implemented to provide charter schools with adequate and equitable access to public school facilities.

Key terms

Public school facilities: any facility currently occupied by a non-charter public school, or a facility leased and improved, or constructed by a charter school to meet code requirements for a public school.

Adequate: a facility occupied by a charter school that not only meets basic code requirements but includes amenities such as a gymnasium, library, specialty room for such activities as art and music, and an athletic field. Additionally, an adequate facility would have kitchen facilities that are compliant with National School Lunch Program (NSLP) guidelines.

Access: the ability of a charter school to have a reasonable and fair chance of occupancy.

Financing: is used in a broad sense, whether it is access to bond revenue or per pupil allocation from the state.

Data points outlining the present challenge

- Nevada charter schools receive no financial support to defray facility expenses. All facility costs must be paid out of operating money received, on a per pupil basis, through the Distributive School Account.
- SPCSA sponsored charter schools on average spend 10% of their operating revenue on facilities, see Figure I
 - The Charter School Facilities Initiative, a national study, found:
 - On average, charter schools spend 14% of operating revenue on facilities
 - Charters utilizing district space only spend around 2% of operating revenue on facilities.
- Nevada charter schools do not utilize or occupy district facilities. The SPCSA is unaware of any charter schools collaboratively using district facilities.
 - NRS 386.560 provides for charter schools, upon trustee approval, to use any public facility during times that are not regular school hours.
 - The Charter School Facilities Initiative found fewer than 5% of charter schools are able to access unused or underutilized public school facilities even when nearby.
- The vast majority of charter schools in Nevada meet their facility demands through
 - Conducting tenant improvements on leased commercial real estate; or
 - Occupying facilities that were formerly private schools
- Two charter schools have purchased facilities through conventional financing
 - Silver State Charter School purchased a facility in Carson City
 - Quest Academy purchased a facility in Las Vegas
- The SPCSA is aware of one instance where a party related to the charter school has accessed the tax exempt bond market to purchase and lease back to a charter school the facility.
- There are limited examples of an investor group constructing or purchasing and renovating a facility then leasing the facility back to the charter school board.

Survey of applicable statute

NRS 386.550 (excerpt):

NRS 386.550 Operation: General conditions; limitation on programs of distance education.

1. A charter school shall:
 - (a) Comply with all laws and regulations relating to discrimination and civil rights.
 - (b) Remain nonsectarian, including, without limitation, in its educational programs, policies for admission and employment practices.
 - (c) Refrain from charging tuition or fees, levying taxes or issuing bonds.

NRS 386.560 (excerpt):

NRS 386.560 Authorization to contract for services and facilities; donation of surplus property of school district; authorization to acquire or purchase buildings, structures or property; board of trustees required to allow pupil to participate in class or activity of school district in which pupil resides.

1. The governing body of a charter school may contract with the board of trustees of the school district in which the charter school is located or in which a pupil enrolled in the charter school resides or with the Nevada System of Higher Education for the provision of facilities to operate the charter school or to perform any service relating to the operation of the charter school, including, without limitation, transportation, the provision of health services for the pupils who are enrolled in the charter school and the provision of school police officers. If the board of trustees of a school district or a college or university within the Nevada System of Higher Education is the sponsor of the charter school, the governing body and the sponsor must enter into a service agreement pursuant to [NRS 386.561](#) before the provision of such services.
2. A charter school may use any public facility located within the school district in which the charter school is located. A charter school may use school buildings owned by the school district only upon approval of the board of trustees of the school district and during times that are not regular school hours.
3. The board of trustees of a school district may donate surplus personal property of the school district to a charter school that is located within the school district.
4. A charter school may:
 - (a) Acquire by construction, purchase, devise, gift, exchange or lease, or any combination of those methods, and construct, reconstruct, improve, maintain, equip and furnish any building, structure or property to be used for any of its educational purposes and the related appurtenances, easements, rights-of-way, improvements, paving, utilities, landscaping, parking facilities and lands;
 - (b) Mortgage, pledge or otherwise encumber all or any part of its property or assets;
 - (c) Borrow money and otherwise incur indebtedness; and
 - (d) Use public money to purchase real property or buildings with the approval of the sponsor.

NRS 386.505 (excerpt)

NRS 386.505 Legislative declaration concerning formation of charter schools. The Legislature declares that by authorizing the formation of charter schools it is not authorizing:

1. The conversion of an existing public school, homeschool or other program of home study to a charter school.

NRS 386.5515 (excerpt)

NRS 386.5515 Operation: Eligibility for available money for facilities for charter schools that meet certain conditions; requirements for performance audit; exemption from annual performance audit; quarterly financial report.

1. To the extent money is available from legislative appropriation or otherwise, a charter school may apply to the Department for money for facilities if:

- (a) The charter school has been operating in this State for at least 5 consecutive years and is in good financial standing;
- (b) Each financial audit and each performance audit of the charter school required by the Department pursuant to [NRS 386.540](#) contains no major notations, corrections or errors concerning the charter school for at least 5 consecutive years;
- (c) The charter school has met or exceeded the annual measurable objectives and performance targets established pursuant to the statewide system of accountability for public schools or has demonstrated improvement in the achievement of pupils enrolled in the charter school, as indicated by those annual measurable objectives and performance targets, for the majority of the years of its operation; and
- (d) At least 75 percent of the pupils enrolled in grade 12 in the charter school in the immediately preceding school year have satisfied the criteria prescribed by the State Board pursuant to [NRS 389.805](#), if the charter school enrolls pupils at a high school grade level.

NRS 386.576 (excerpt):

NRS 386.576 Creation; investment; credit of interest and income; deposit of money; payment of claims; acceptance of gifts and grants.

1. The Account for Charter Schools is hereby created in the State General Fund as a revolving loan account, to be administered by the State Public Charter School Authority.

NRS 386.577 (entire):

NRS 386.577 Authorized uses of money in Account; limitation.

1. After deducting the costs directly related to administering the Account for Charter Schools, the State Public Charter School Authority may use the money in the Account for Charter Schools, including repayments of principal and interest on loans made from the Account, and interest and income earned on money in the Account, only to make loans at or below market rate to charter schools for the costs incurred:

- (a) In preparing a charter school to commence its first year of operation; and
- (b) To improve a charter school that has been in operation.

2. The total amount of a loan that may be made to a charter school pursuant to subsection 1 must not exceed the lesser of an amount equal to \$500 per pupil enrolled or to be enrolled at the charter school or \$200,000.

(Added to NRS by [2001, 3124](#); A [2013, 27th Special Session, 5](#))

NRS 386.612-386.649, Charter School Financing Law (see Legislative intent below):

NRS 386.628 Declaration of legislative intent.

1. It is the intent of the Legislature to authorize the Director of the Department of Business and Industry to finance facilities or other improvements to be owned, acquired and used by a charter school for any of its educational purposes.
2. The Director of the Department of Business and Industry has all the powers necessary to accomplish the purposes set forth in [NRS 386.612](#) to [386.649](#), inclusive, but these powers must be exercised for the health, safety, convenience, prosperity and welfare of the inhabitants of this State.
3. [NRS 386.612](#) to [386.649](#), inclusive, must be liberally construed in conformity with the purposes set forth in this section.

(Added to NRS by [2013, 1590](#))

Policy tools (in no particular order)

- **Per-Pupil Facilities Allowance.** Provide a per-pupil facilities allowance to each public charter school that is calculated via a rolling formula that is based on total facilities costs in a state over the past five years. While eleven states currently provide some type of a per-pupil facilities allowance to charters, the District of Columbia is a model approach.

- **Public Charter School Facility Grant Program.** Provides a public charter school facility grant program funded by a bond authorization. Although five states provide some type of a grant program, Connecticut is a model approach.
- **Public Charter School Facility Revolving Loan Program.** Provides a public charter school facility revolving loan program funded by state appropriations. If state appropriations are unavailable, we recommend the state use monies from the federal Charter Schools Program (CSP). According to federal law, states can use up to 10% of their grants from the CSP to establish a revolving loan fund. Although four states provide some type of loan program, California is a model approach. See SB 471/SB 3 from the 2013 Legislature.
- **Bonding Authority.** Public charter schools should have equal access to all of the relevant tax-exempt bonding authorities in a state or have their own bonding authority. For the first option, a state must amend the appropriate section of the law (e.g., state health and educational facility authority section) to clarify that public charter schools are eligible to obtain tax-exempt financing from the relevant authority. For the second option, a state must create a new section of state law establishing the authority. See SB 384 from the 2013 Legislature.
- **Moral Obligation.** Creates a mechanism for the legislature to provide limited credit enhancement for eligible highly-rated bond transactions for public charter schools. Although two states provide such a mechanism, the model law's language is modeled on the approach in Colorado.
- **Credit Enhancement Fund.** Creates a credit enhancement fund for public charter school facilities. Such a fund provides grants to eligible nonprofit organizations to carry out the following activities:
 - Obtaining financing to acquire interests in real property (including by purchase, lease, or donation), including financing to cover planning, development, and other incidental costs;
 - Obtaining financing for construction of facilities or the renovation, repair, or alteration of existing property or facilities (including the purchase or replacement of fixtures and equipment), including financing to cover planning, development, and other incidental costs;
 - Enhancing the availability of loans (including mortgages) and bonds; and obtaining lease guarantees.
- **Existing State Facilities Programs.** Public charter schools should have equal access to all of the existing state facilities programs for traditional public schools in a state. Examples include the Public School Capital Construction Assistance Fund in Colorado and the Public School Capital Outlay Fund in New Mexico. To clarify that public charter schools are eligible to obtain funding from the relevant program, a state must amend the relevant section of the law (e.g., public school capital construction assistance fund section).
- **Access to District Facilities and Land.** Public charter schools should have the right of first refusal to purchase or lease at or below fair market value a closed or unused public school facility or property.

- **Facility-Related Requirements.** Provides language that no state or local entity may impose any facility-related requirements that are stricter than those applied to traditional public schools.

Leases	Begin Date	End date	Enrollment 13/14	13-14 Annual rent	Square Feet	Price per SF annually	Square Feet per Student	Cost per student annually	Percentage of per pupil revenue	Multi-campus average %age of PPR	Comments
Alpine	6/1/2009	5/31/2015	118	\$143,820	13,936	\$10.32	118	\$1,219	19%		Rec hold harmless (80 actual)
Beacon - Flamingo	7/1/2012	7/31/2017	811	\$161,429	11,726	\$13.77	17	\$233	4%	4%	
Beacon Reno	9/1/2011	8/31/2016	"	\$27,419	1,929	\$14.21					
Coral LV Sandy Ridge***	9/1/2012	6/30/2014	1379	\$720,000	41,000	\$17.56	17	\$975	15%	15%	
Coral LV Tamarus	9/1/2008	8/31/2018	"	\$300,901	12,940	\$23.25					
Coral LV Windmill	7/1/2010	5/31/2013	"	\$323,677	24,521	\$13.20					
Discovery Hillpointe	7/1/2012	6/30/2016	368	\$58,320	3,600	\$16.20	13	\$545	9%	9%	
Discovery - Mesa Vista	5/4/2011	9/1/2016	"	\$58,280	6,553	\$8.89					
Discovery 8941 Hillpointe #2	6/1/2011	6/30/2016	"	\$83,940	5,184	\$16.19					
Doral	6/1/2012	6/30/2042	752	\$616,500	56,284	\$10.95	75	\$820	13%		
Elko	5/1/2009	5/1/2019	163	\$125,336	11,284	\$11.11	69	\$769	12%		
Honors	8/1/2013	6/30/2018	193	\$135,000	17,500	\$7.71	91	\$699	11%		
Imagine Mtn. View-Rochelle	7/7/2011	5/31/2014	475	\$229,552	13,886	\$16.53	52	\$761	12%	12%	
Imagine Mtn. View-Rainbow	7/31/2013	7/31/2015	"	\$132,000	10,787	\$12.24					
Learning Bridge	8/1/2013	6/30/2018	118	\$72,000	11,800	\$6.10	100	\$610	10%		
NCA	8/1/2010	8/1/2014	1987	\$99,092	6,000	\$16.52	3	\$50	1%		
NSHS	11/8/2010	11/8/2020	279	\$94,195	5,607	\$16.80	20	\$338	5%		
NVVA	6/8/2010	8/31/2018	3669	\$242,393	10,466	\$23.16	3	\$66	1%		
Oasis	7/1/2011	7/31/2014	181	\$133,920	12,400	\$10.80	69	\$740	12%		
Pinecrest	7/1/2012	7/1/2032	885	\$811,860	46,392	\$17.50	52	\$917	14%		
Quest Grand Montecito	7/1/2011	6/30/2013	768	\$552,000	37,234	\$14.83	53	\$874	14%	14%	Rec hold harmless (863 actual)
Quest Meadows	6/1/2012	6/30/2015	35	\$150,000	5,500	\$27.27	159				
Quest W. Alexander			60	Owned							
Silver Sands	9/1/2011	9/1/2023	286	\$161,082	19,048	\$8.46	67	\$563	2%		
Somerset NLV	7/1/2011	6/30/2031	3017	\$1,150,800	62,540	\$18.40	61	\$1,022	16%	16%	
Somerset Emerson	6/1/2011	7/31/2014	"	\$413,041	42,812	\$9.65					
Somerset Oakey	8/1/2012	7/31/2014	"	\$174,000	12,500	\$13.92					
Somerset Skypointe	8/31/2013	8/31/2033	"	\$1,346,700	65,498	\$20.56					
Silver State High School			429	Owned							
*Calculated at 6,400 per student									12%		Site based school average
*** Purchased with bond money for FY14-15									2%		Distance learning school average
Red = purchased property									10%		Overall state average
Blue=Virtual learning											
Enrollment in leased schools overall			15,484	\$8,517,257	568,927	\$15	37	\$550	10%		
Enrollment not included due to purchased schools			489								
2013-14 Total enrollment			15,973								