

**PROPOSED REGULATION OF THE
STATE BOARD OF EDUCATION**

LCB File No. R036-14

Proposed Revisions to Charter School Loan Account Regulations

Proposed new language *italicized and underlined*

Language proposed for deletion ~~bracketed and struck through~~

New language:

Pursuant to NRS 386.577(1), the SPCSA shall reimburse a school whose loan application has been approved for expenses incurred after the school provides to the SPCSA receipts or other proof of payment for items identified in the list of anticipated expenses submitted in the approved application pursuant to NAC 386.435(1)(e).

Loan funds may flow to a charter school with an approved loan application:

When a governing body of a charter school with an executed charter contract has met its pre opening condition to attain sufficient enrollment to reach financial viability, as determined by the charter school’s sponsor; or

When one or more members of the governing body of a charter school with an executed contract have submitted in the loan application pledges of personal liability to repay the loan in the event that the charter school fails to fulfill its pre opening conditions and does not commence operation as anticipated. If the charter school fulfills its pre opening conditions for DSA funding and DSA funds flow to the school, the pledges of personal liability submitted in the loan application may be rescinded by the governing body members, with the permission of the governing body.

The Nevada Department of Education shall not commence state public education funding of a charter school until notified by the school’s sponsor of fulfillment of pre opening conditions for commencement of funding, including, without limitation, attainment of sufficient enrollment for financial viability and obtaining a facility that has been approved for use by applicable building officials.

~~{NAC 386.430 “Operational charter school” defined. (NRS 385.080, 386.578) “Operational charter school” means a charter school in which pupils are enrolled who are receiving instruction from the charter school. —(Added to NAC by Bd. of Education by R206-01, eff. 4-1-2002)}~~

NAC 386.435 Application for loan from Account; annual determination of balance of money in Account. (NRS 385.080, 386.578)

1. An application for a loan from the Account must be submitted by the governing body of a charter school to the ~~{Department}~~ *State Public Charter School Authority between January 1 and March 15* ~~{on or before September 30}~~ of the calendar year ~~{immediately~~

~~preceding the calendar year~~ in which the loan will be made. The ~~{Department}~~ *State Public Charter School Authority* shall not accept an application for a loan from the Account unless the ~~{Department}~~ *State Public Charter School Authority* has determined pursuant to subsection 2 that the balance of money in the Account is \$5,000 or more. An application must include:

- (a) The name of the charter school.
- (b) The name, address and telephone number of the person whom the ~~{Department}~~ *State Public Charter School Authority* may contact regarding the application.
- (c) The proposal of the charter school to repay the loan, consistent with NAC 386.445.
- (d) A description of:
 - (1) The financial needs of the charter school;
 - (2) The business plan for the charter school;
 - (3) The effect that receipt of the loan will have on the operation of the charter school;
 - (4) The effect, if any, that receipt of the loan will have on the ability of the governing body or the charter school to obtain other financial assistance from public and private sources; ~~and~~
 - ~~— (5) The plan, if any for the use of the money obtained from the loan, including, without limitation, methods to enhance the credit of the charter school.~~
- (e) A list of the anticipated expenses for which the money obtained from the loan will be used.
- (f) A budget for the charter school for the fiscal year in which the loan is received and for each fiscal year of the proposed period for repayment of the loan. The budget must:
 - (1) Include an identification of all sources of revenue and expenses;
 - (2) Include the cost for repayment of the loan; and
 - (3) Be accompanied by a written narrative explaining each of the assumptions made in developing the budget.
- (g) If the charter school is an operational charter school, a statement of the financial history of the applicant.
- (h) If a member of the governing body has or had an association or affiliation with another charter school in this State or another state, a statement of the financial history of the charter school with which the member has or had such an association or affiliation. The provisions of this paragraph apply regardless of whether the member has terminated the association or affiliation.
- (i) *For an operating charter school*, three credit references for the applicant.
- (j) A statement of the monthly cash flow for the operation of the charter school, including, without limitation, an identification of the amount and timing of receipt of revenue relating to the amount and timing of expenditures.
- (k) A resolution of the governing body authorizing submission of the application.
- (l) *A letter of endorsement from the sponsor of the charter school.*

2. On or before July 1 of each year, the ~~{Department}~~ *State Public Charter School Authority* shall determine the balance of money in the Account. If the ~~{Department}~~ *State Public Charter School Authority* determines that the balance of money in the Account is \$5,000 or more, the ~~{Department}~~ *State Public Charter School Authority* shall provide notice of that fact and the availability of loans from the Account to each charter school that has been issued a written charter *or charter contract, as applicable*, pursuant to NRS 386.527.

(Added to NAC by Bd. of Education by R206-01, eff. 4-1-2002)

NAC 386.440 Priority for loans; considerations for approval of loans. (NRS 385.080, 386.578)

1. To the extent that money is available in the Account, the ~~{Department}~~ *State Public Charter School Authority* shall grant priority for loans from the Account to those charter schools with approved *loan* applications that will use the money obtained from the loan in preparing to commence the first year of operation.

2. In determining whether to approve an application, the ~~{Department}~~ *State Public Charter School Authority* shall consider the:

- (a) Reliability of the business plan submitted with the application;
- (b) Ability of the charter school to obtain financial assistance from other sources;
- (c) Information submitted in the application; and
- (d) Effect of approval of the application on the equitable geographic distribution throughout this State of loans from the Account.

(Added to NAC by Bd. of Education by R206-01, eff. 4-1-2002)

NAC 386.445 Repayment of loans. (NRS 385.080, 386.540, 386.578)

1. The rate of interest for loans made from the Account is the prime rate at the largest bank in Nevada, as ascertained by the Commissioner of Financial Institutions, on January 1 or July 1, as the case may be, immediately preceding the date of the transaction.

2. If a loan is made to a charter school from the Account, the Department shall deduct from the apportionments made to the charter school pursuant to NRS 387.124, an amount of money equal to the annual repayment amount of the loan, including interest. The deductions must be made:

(a) In quarterly amounts corresponding with the quarterly apportionment to the charter school.

(b) In equal amounts during the period of repayment agreed upon by the governing body of the charter school and the ~~{Department}~~ *State Public Charter School Authority*, not to exceed 3 years.

3. If a loan is made to an operational charter school, the deductions must be made commencing in the same fiscal year in which the loan is made. If a loan is made to *an approved charter school preparing to commence operation* ~~{a charter school that has a written charter issued pursuant to subsection 7 of NRS 386.527,}~~ the deductions must be made commencing with the first fiscal year immediately succeeding the fiscal year in which the charter school becomes an operational charter school.

4. If a charter school that receives a loan:

- (a) Defaults on repayment of the ~~{full amount}~~ *outstanding balance* of the loan;
- (b) Was issued a written charter pursuant to subsection 7 of NRS 386.527 and the charter school fails to obtain a written charter issued pursuant to subsection 5 of NRS 386.527;
- (c) *Was issued a charter contract and the charter school fails to fulfill its pre-opening conditions for commencement of operation*

~~{e/d}~~ Closes or otherwise ceases operation,
→ the charter school shall be ~~{solely}~~ *primarily* liable *and the governing body shall be secondarily liable* for repayment of the full amount of the loan.

5. As used in this section, “fiscal year” means the 12-month period beginning on the first day of July and ending on the last day of June.

(Added to NAC by Bd. of Education by R206-01, eff. 4-1-2002; A by Dep’t of Education by R044-05, 10-31-2005)